

MONTHLY STABILITY TARGET MONITORING 2024

DECEMBER

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Independent Authority
for Fiscal Responsibility

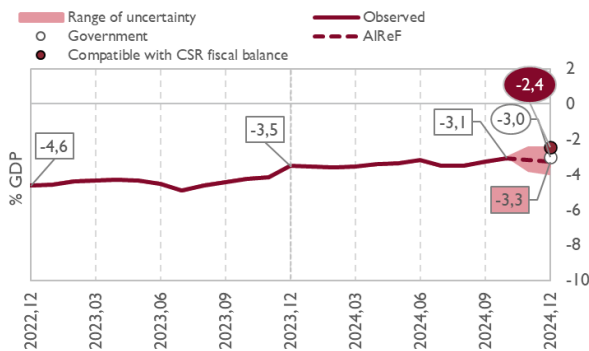
General Government

AIReF increases its deficit estimate for 2024 for the General Government (GG) sector by 0.3 points to 3.3% of GDP with respect to the previous factsheet, as it includes the measures approved to mitigate the effects of the DANA. In a first approximation, AIReF values the fiscal impact of these measures at 0.3 points of GDP for 2024. This factsheet also includes the new information published: November data for the State and October data for the rest of the GG sub-sectors in the IGAE's national accounts, November tax collection from the AEAT and November budgetary execution for the Social Security Funds (SSFs).

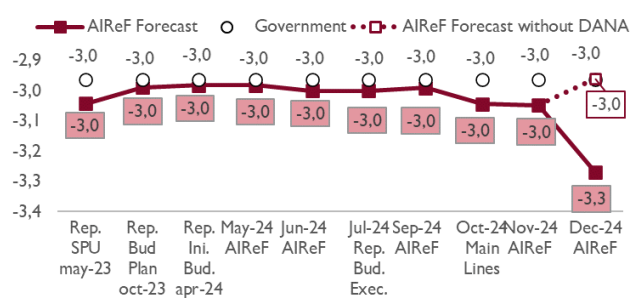
1 The deficit forecast for 2024 increases to 3.3% of GDP. The approval of measures to mitigate the effects of the DANA causes a rebound in the deficit at year-end, although the 3% deficit forecast is maintained excluding the impact of the DANA.

2 In the ongoing evaluation process of the budgetary cycle, AIReF increases the deficit by 0.3 points with respect to its last estimate, due to the fiscal impact of the measures to mitigate the effects of the DANA.

General Government deficit (% GDP)



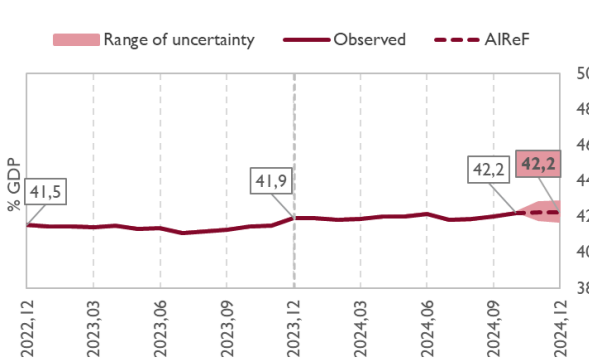
Updated GG deficit estimate (% GDP) (AIReF)



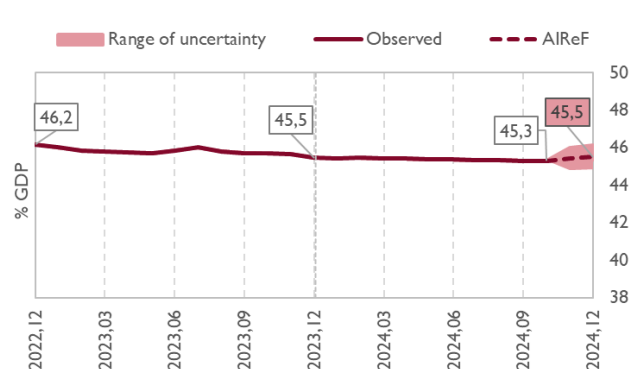
3 Revenue observed to October, in cumulative 12-month terms, improves its weight of GDP by 0.3 points with respect to year-end 2023. AIReF forecasts that this weight will remain at 42.2% during the rest of the year.

4 October annualised expenditure is 0.2 points lower than at year-end 2023. For the rest of the year, an increase of 0.3 points is expected, due to the approval of measures to mitigate the effects of the DANA, closing 2024 with a weight of 45.5%.

GG revenue (% GDP)



GG expenditure (% GDP)



Fiscal impact of DANA

AIReF estimates that the measures approved to mitigate the effects of the Isolated High Altitude Depression (DANA) will have a fiscal impact of 0.6% of GDP on the GG sector, which will be distributed between 2024 and 2025. The GG has approved a set of measures to respond to the damage caused by the DANA between October 28th and November 4th, 2024. At a central level, the Government has approved measures for an amount valued at €16.65 bn through three Royal Decree-Laws: Royal Decree-Law 6/2024, of November 5th; Royal Decree-Law 7/2024, of November 11th and Royal Decree-Law 8/2024, of November 28th. For its part, the Autonomous Region of Valencia has approved expenditure measures for an approximate amount of €1.3 bn and has announced revenue measures with a limited impact. The Local Governments (LGs) affected have also adopted additional measures to those established by the State, financed by the latter.

Fiscal impact of the measures to mitigate the effects of the DANA	Announced by the different GG authorities		AIReF estimate	
	€ M	% GDP	€ M	% GDP
CG	15.624	1,0	7.551	0,5
Expenditure measures	15.024	0,9	7.551	0,5
Infrastructure	611	0,0	75	0,0
Support for households	4.030	0,3	4.024	0,3
<i>Insurance Compensation Consortium</i>	3.500	0,2	3.500	0,2
Support for companies	8.321	0,5	1.967	0,1
<i>ICO guarantee line</i>	5.000	0,3	309	0,0
<i>Direct support for companies and professionals</i>	930	0,1	930	0,1
Transfers to Local Governments	1.995	0,1	1.485	0,1
Transfers to Social Security Funds	67	0,0	39	0,0
Revenue measures	600	0,0	0	0,0
Second PIT payment deferral	300	0,0		0,0
Deferral of payments to SMEs and the self-employed	300	0,0		0,0
SSFs	1.021	0,1	291	0,0
Exemption from ERTE contributions	306	0,0	87	0,0
ERTE benefit due to <i>force majeure</i>	715	0,0	204	0,0
Benefits for termination of activity	52	0,0	15	0,0
Temporary disability as a work accident	2	0,0	16	0,0
Other measures	13	0,0	8	0,0
Transfers received from Central Government	-67	0,0	-39	0,0
AR (Valencia)	1.379	0,1	1.378	0,1
Investment and Infrastructure	333	0,0	333	0,0
Supplies, environment, cleaning and others	119	0,0	119	0,0
Support for households	503	0,0	503	0,0
Support for companies and the self-employed	305	0,0	305	0,0
Transfers to Local Governments	62	0,0	62	0,0
Revenue measures	58	0,0	57	0,0
Personal Income Tax deductions, Inheritance Tax and Donations allowances, TATDLA, taxes on gambling and sewerage levies	58	0,0	57	0,0
LGs	340	0,0	340	0,0
Infrastructure	677	0,0	677	0,0
Property Tax exemption and Tax on Economic Activities reduction 2024	603	0,0	93	0,0
Rest of measures financed by CSA	715	0,0	715	0,0
Other Local Government measures	402	0,0	402	0,0
Transfers received from AR of Valencia	-62	0,0	-62	0,0
Transfers received from Central Government	-1.995	-0,1	-1.485	-0,1
Total GG	18.364	1,1	9.561	0,6

(*) As at the of publication of the factsheet GDP.

The fiscal impact of these measures is mainly assumed by the Central Government (CG). Although some tax measures are included, such as tax deferrals, most are expenditure measures.

Regarding the CG, among the support for households, expenditure of €3.5 bn in compensation managed by the Insurance Compensation Consortium, allocated to families and companies, is noteworthy. In addition, more support has been approved for the purchase of vehicles, as well as to cover personal injuries, material damage to homes and household goods, and measures in the educational field, among others. As for companies, the ICO guarantee line, amounting to €5 bn, is noteworthy, of which the first two tranches have already been made available for a total of €1.24 bn. Direct support for companies and professionals for the purchase of vehicles is also included, along with measures to support commercial and industrial activities, and specific measures for the agricultural sector.

For their part, the SSFs assume the expenditure derived from temporarily suspended employment contracts (ERTEs), including the exoneration of contributions. In addition, transfers from the CG to the SSFs finance benefits paid by the State, such as the Minimum Income Scheme (MIS) and child allowances, but also finance specific Social Security expenditure, such as the temporary disability benefit considered as workplace accidents and the self-employed termination benefit.

The main measures adopted by the Autonomous Region of Valencia are aimed at individuals and companies and at the restoration of infrastructure. For households, direct support has been budgeted for more than €500 m aimed at the acquisition of basic necessities in homes, the rental of housing and the replacement of damaged vehicles. In the business sector, the Autonomous Region of Valencia has approved direct support for the self-employed and companies of a different scope and content, to which it allocates close to €300 m. Furthermore, more than €330 m have been allocated to the restoration of infrastructure and repair work, and €120 m for expenditure on cleaning, environmental management, supplies and others. In addition, it has budgeted direct support for the affected municipalities in the sum of €62 m. Lastly, the Autonomous Region of Valencia has approved a series of different tax measures with a limited overall impact.

Transfers from the CG to the LGs aim to finance the reconstruction of infrastructure and to offset the Property Tax (IBI) exemption and the 2024 Tax on Economic Activities (IAE) reduction in the affected areas. In addition, the remaining measures include transfers to cover expenditure related to emergency situations (evacuation, housing and food for the victims, the cleaning of public roads, including the removal of sludge and unusable goods), support measures for the cultural sector, and support for entities managing sanitation services (Action Plan against sludge), among others. Furthermore, the LGs include other measures estimated by AIRcF at approximately €400 m, which include emergency expenditure and support for the victims, financed in part with contributions from the private sector and the Autonomous Region of Valencia.

AIRcF has preliminarily estimated the impact of these measures in national accounting terms at some €9.5 bn. This figure is not directly comparable with the more than €18 bn announced by the GG, expressed in terms of potential mobilisation of financial and non-financial resources. Of this difference, €4.7 bn correspond to the ICO guarantee line, whose impact on the public deficit would be approximately €300 m, attributable to the cost of the standardised guarantees. In addition, the deferral of tax payments, such as the second instalment of Personal Income Tax (PIT) and taxes on SMEs and the self-employed, would have no impact in national accounting terms. Lastly, the estimated cost of certain measures has been adjusted in accordance with the data available to an initial estimate of the number of people and assets actually affected. For example, almost 32,000 workers have benefited from the ERTes, compared with a higher number of potential beneficiaries included in the Regulatory Impact Analysis Report of the Royal Decree-Law. Furthermore, the cost of other measures related to Social Security and Property Tax and Tax on

Stability Target Monitoring 2024

Economic Activities compensation has also been adjusted, although only partial information is available.

Lastly, the distribution of this impact over different years is also uncertain. AIReF has preliminarily estimated an impact in 2024 of 0.3 points of GDP.

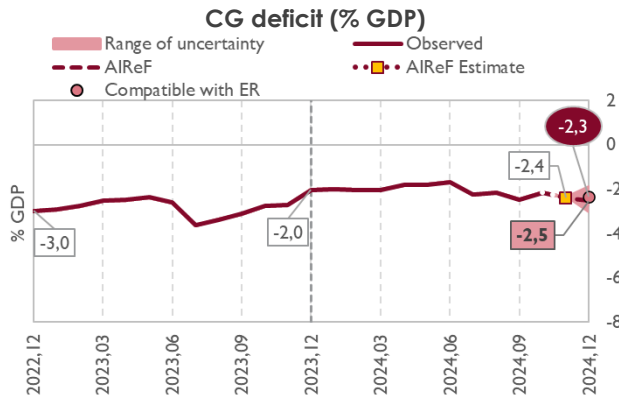
The main websites with information on the different types of support are:

- <https://www.lamoncloa.gob.es/info-dana/Paginas/index.aspx>
- <https://aciara.gva.es/es/inici>

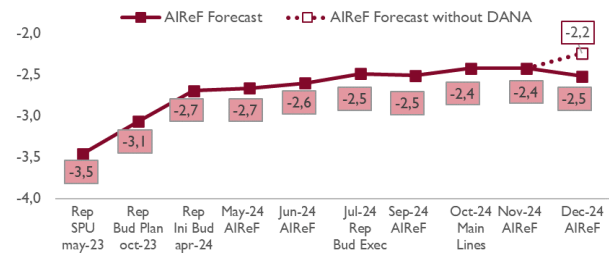
Central Government

1 AIReF increases the deficit forecast of the CG to 2.5% of GDP for 2024. Although new information on tax revenue improves overall revenue, the approval of measures to mitigate the effects of the DANA pushes expenditure up to a greater extent, worsening the balance.

The deficit estimate increases by 0.1 points to 2.5% of GDP. However, excluding the impact of the measures to mitigate the effects of the DANA, the CG deficit would improve to 2.2% of GDP due to the increase in the revenue forecast.

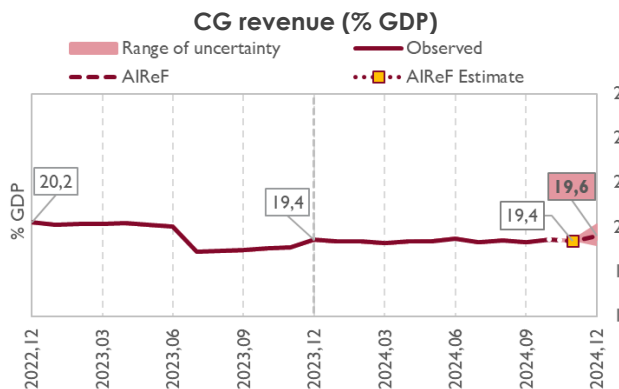


Updated estimated CG deficit (% GDP)

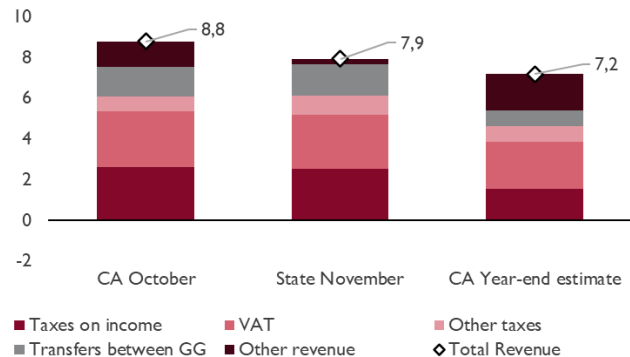


3 AIReF estimates that revenue will increase its weight by 0.2 points on year-end 2023, due to the dynamism shown by tax revenue.

4 Up to October, revenue in 12-month cumulative terms grew by 8.8%. At year-end 2024, this growth is expected to be 1.6 points lower, standing at 7.2%, as a result of a lower contribution from income taxes, VAT and transfers between GG sub-sectors.

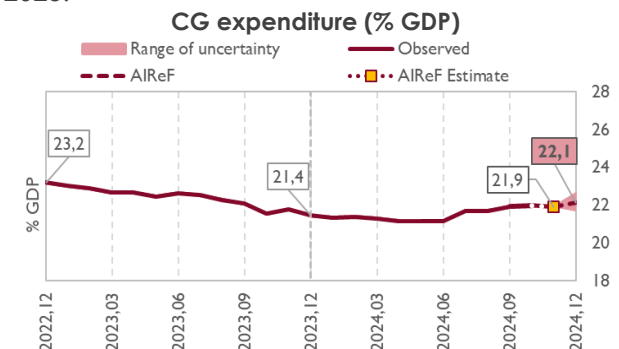


CG revenue (% change)

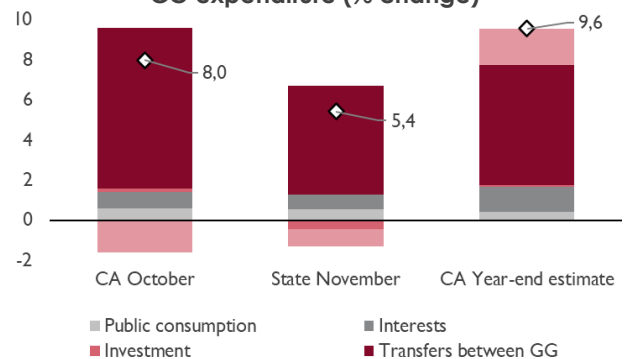


5 The 2024 year-end expenditure forecast will increase from the cumulative data to October by 0.2 points, due to the approval of the measures to mitigate the effects of the DANA, ending the year at 0.7 points above year-end 2023.

The rate of growth in expenditure at year-end will increase to 9.6%, due to the increase in other expenditure, which includes measures approved to mitigate the effects of the DANA.



CG expenditure (% change)

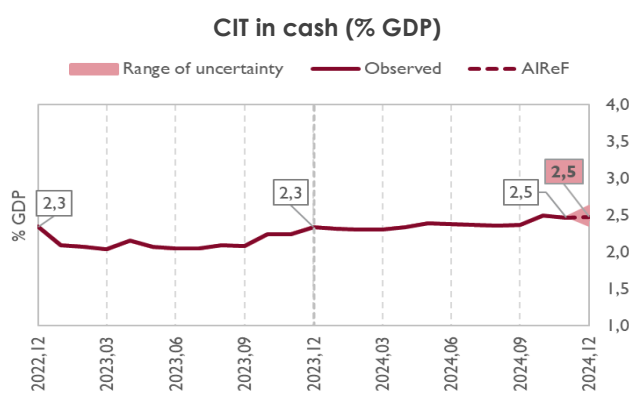
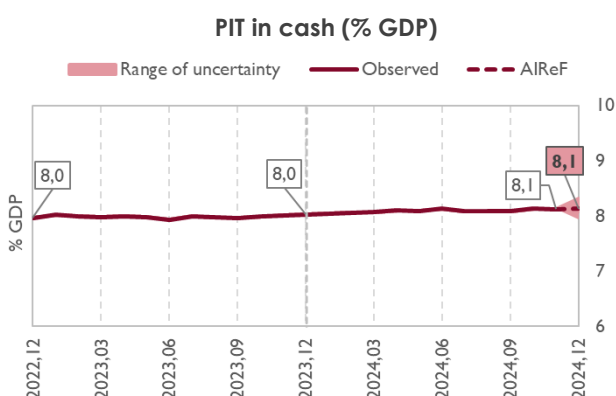


Main tax revenue and social security contributions

AIReF updates its estimates of tax revenue and social contributions for 2024 with the incorporation of the November Social Security budgetary execution and tax collection data, as well as the General State Comptroller (IGAE) data for October. In the year to date, tax revenue has grown by 8.3%, 0.5 points above the cumulative figure to October. The improvement in tax collection is mainly due to the slight acceleration in PIT, given the continued positive trend in withholdings, and to the acceleration observed in Special Taxes and, in particular, in the Tax on Electricity due to the re-establishment of the rates.

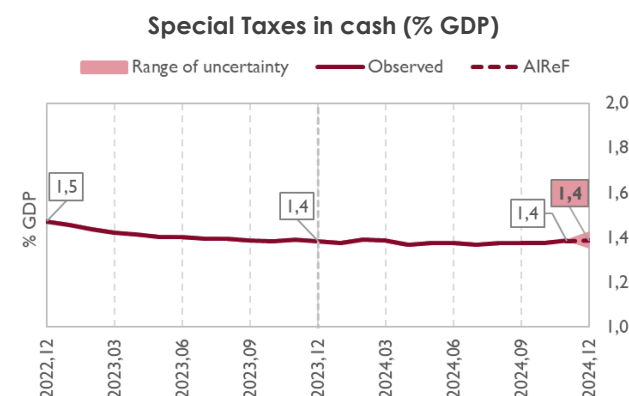
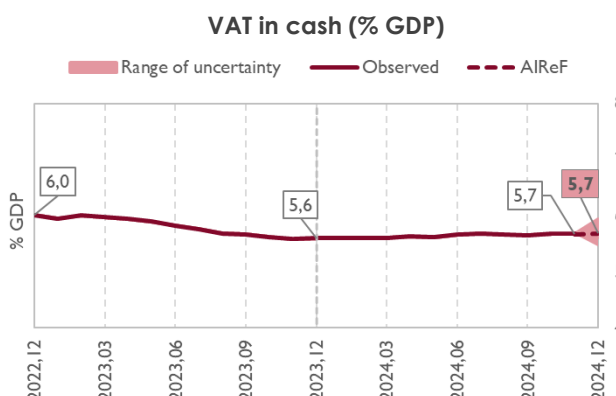
1 In 2024, **Personal Income Tax (PIT)** will slightly increase its weight of GDP to 8.1%, 0.1 points higher than in 2023. In the year to date, growth amounts to 7.5%. On the positive side, withholdings on labour and capital continue to rise, contributing 9.1 points. On the negative side income tax rebates subtract 2.1 points. This is compounded by the increase in the reduction of earnings from work and the court ruling on mutual insurance companies, which account for 1.1 and 1.2 points respectively of lower income. By the end of 2024, growth of 7.6% is expected.

2 Regarding **Corporate Income Tax (CIT)**, AIReF expects growth of 0.2 points of GDP with respect to 2023, up to 2.5%. To November, CIT grew by 13.5%, despite the fact that the limitation to 50% of intra-group tax losses and the measures to mitigate the ruling of the Constitutional Court that declared the unconstitutionality of Royal Decree-Law 3/2016 will not have an impact in 2024. On the positive side, instalment payments are noteworthy, contributing 9.8 points and, to a lesser extent, withholdings on income from movable capital (2.1 points), while the result of the annual tax returns subtracts 0.4 points. CIT will grow by 12.3% by year-end 2024.



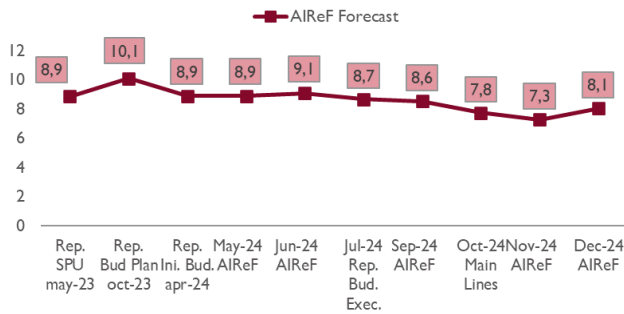
3 **VAT** will reach a weight of 5.7% of GDP by year-end 2024, 0.1 points more than in 2023. To November, VAT revenue grew by 7.4%, despite the fact that the partial maintenance of the reduction in rates on food and energy has reduced tax collection by €2.9 bn. VAT is expected to grow by 7.8% by year-end.

4 **Special Taxes** continue to improve but the estimate of their weight of GDP by year-end 2024 remains at 1.4%. Overall, tax collection rises by 6.2%, an improvement of 0.6 points on the figure to November. The component with the largest positive impact is electricity, due to the recovery of the rate, contributing 4.3 points. Growth of 6.2% is expected at year-end.



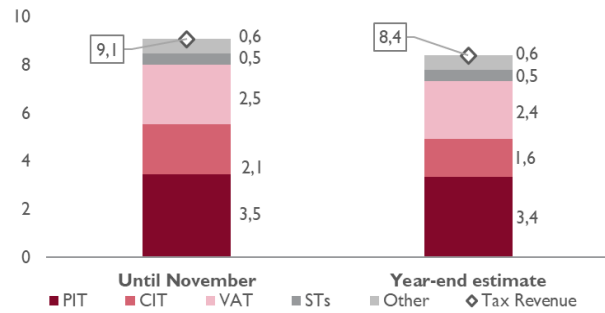
5 In national accounting terms, total tax revenue in 2024 will grow by 8.1% with respect to 2023, 0.8 points above the previous estimate. This upward revision is justified by a higher estimate of tax collection for all taxes, with the noteworthy upward revision of PIT (a 1.2-point higher rate).

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



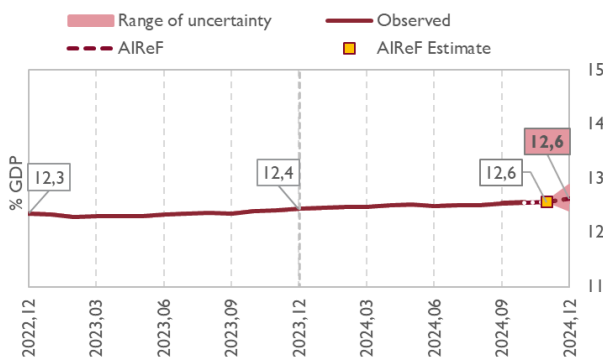
6 12-month cumulative tax revenue in cash terms to November grew by 9.1%, mainly driven by the buoyant figure for the second CIT instalment payment and also by withholdings, which maintain their trend. At year-end 2024, a growth of 8.4% is estimated, with a positive contribution from all figures.

Contributions to change. Cash AIReF (% change)



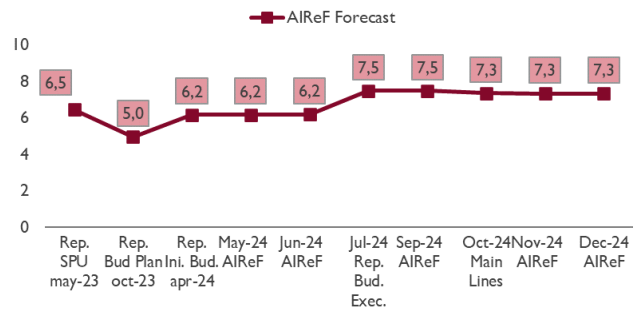
7 AIReF expects Social Security Fund contributions to end 2024 with a weight of 12.6% of GDP. The increase of 0.2 points compared with year-end 2023 is due to a favourable macroeconomic scenario - mainly in the compensation of employees - and to the increase in both the Intergenerational Equity Mechanism (MEI) and the maximum contribution bases.

SSF social contributions (% GDP) (NA)



8 AIReF estimates that the growth in contributions for the GG sector as a whole will reach 7.3% in 2024, in line with the forecasts of the previous report.

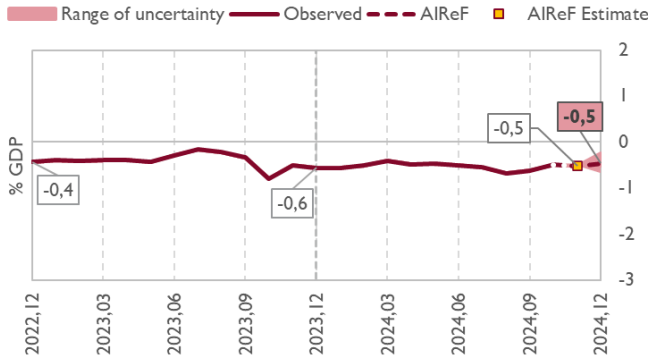
Updated forecast for social contributions from the GG Sector (% change) (NA)



Social Security Funds

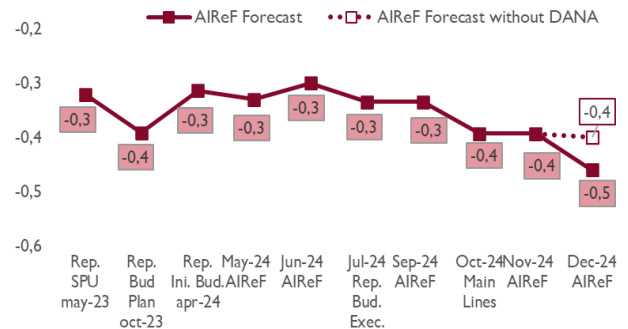
1 AIReF estimates that the SSF deficit will close 2024 at 0.5%, up 0.1 points on year-end 2023.

Evolution of SSF deficit (% GDP)



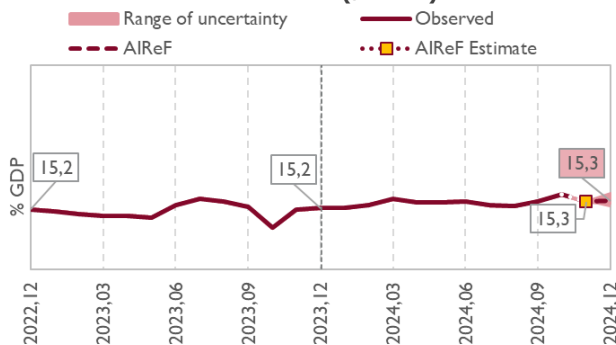
2 AIReF worsens its estimate for 2024 by 0.1 points compared with the previous forecast, due to the recent evolution of expenditure.

Updated AIReF SSF deficit estimate (% GDP)



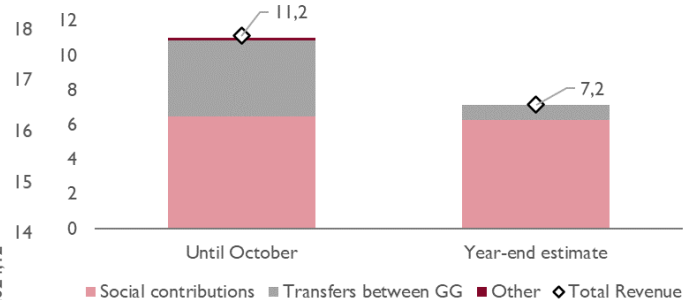
3 AIReF forecasts that the weight of revenue will reach 15.3% at year-end 2024, 0.1 points above year-end 2023, due to the increase in tax collection from social contributions and, to a lesser extent, the increase in transfers for improper expenditure.

SSF revenue (% GDP)



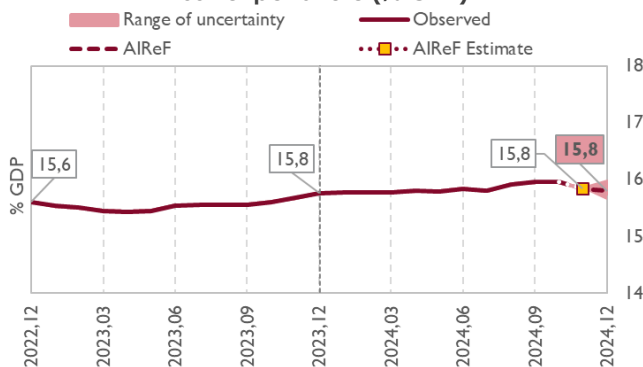
4 AIReF forecasts a slowdown in the pace of revenue growth for the rest of the year due to a reduction in the contribution of transfers to year-end growth. This is because, in 2024 there was an increase in transfers from the CG in October, which occurred in November in 2023.

Contributions to change in SSF revenue (% change)



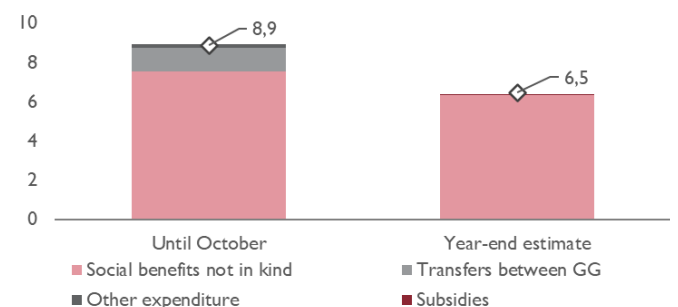
5 AIReF expects SSF expenditure to close 2024 at 15.8%, the same as at year-end 2023. Expenditure on pensions increases by 0.1 points compared with 2023, which will be offset by lower growth in unemployment expenditure.

SSF expenditure (% GDP)



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.

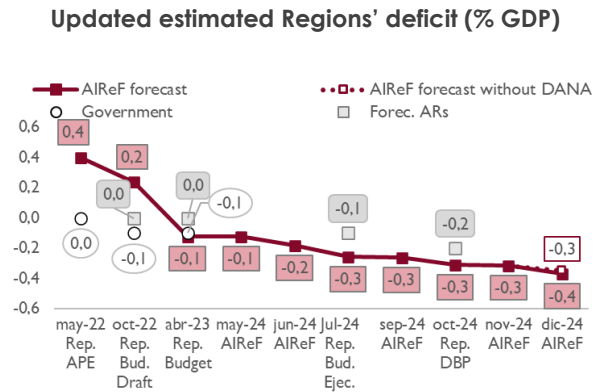
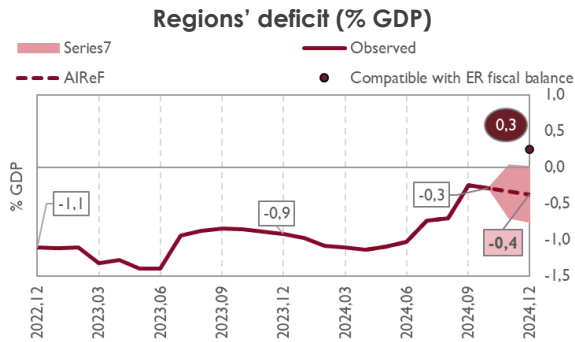
Contributions to the change in SSF expenditure (% change)



Autonomous Regions

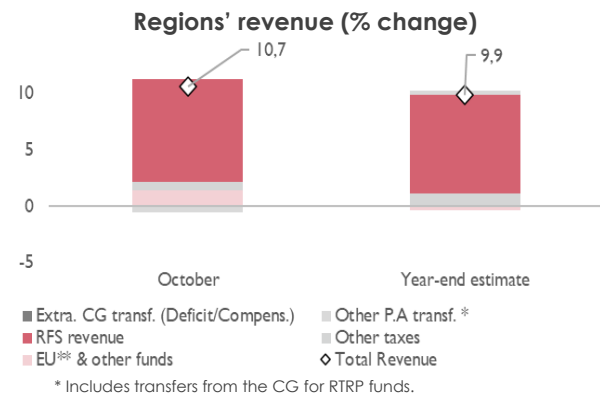
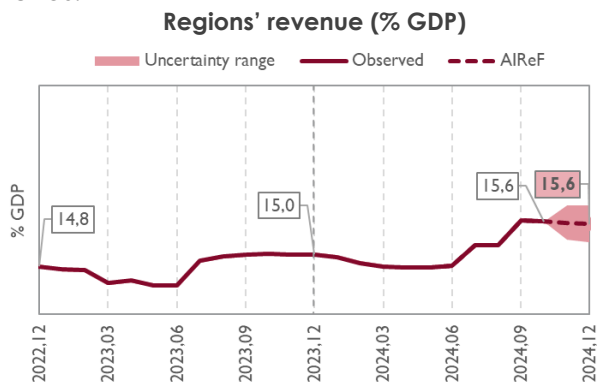
1 The Autonomous Regions will reach a deficit of 0.4% of GDP in 2024, once the impact of the DANA is taken into account. Without this, the deficit will be 0.3% with non-compliance with the expenditure rule, as eligible expenditure will grow by more than 7.5%.

2 AIReF raises the 2024 deficit forecast for the ARs to 0.4% due to the incorporation of the expected impact of the DANA on the sub-sector. Without this effect, the previous estimate would be maintained.



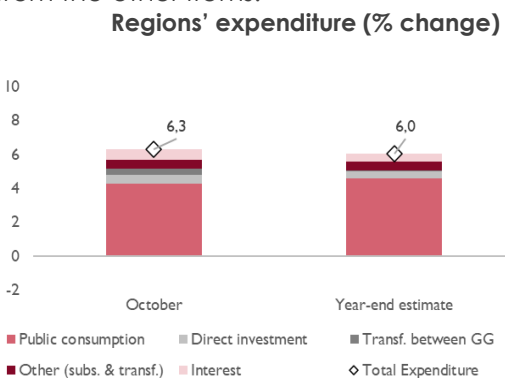
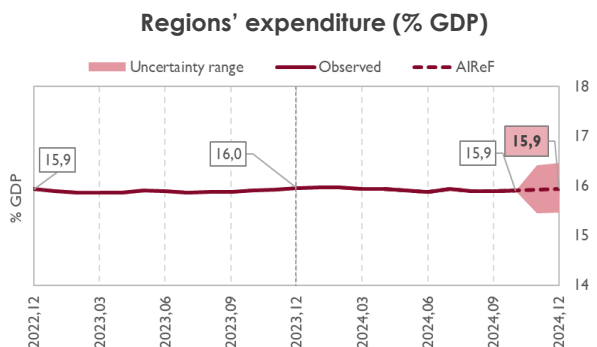
3 Revenue, barely affected by the DANA, will increase by close to 10% thanks to the settlement of the Regional Financing System (RFS). Including the RTRP, revenue will reach 15.6% of GDP, and 0.3 points less without these funds.

4 Revenue growth over the last 12 months is affected by the increase in revenue from the RFS, European funds and taxes. At year-end, the contribution from the RFS is maintained while the contribution from European funds is lower.



5 Incorporating the estimated impact of the DANA, expenditure will have increased by 6% by year-end to reach 15.9% of GDP (0.3 points less without including the RTRP). Expenditure not including the DANA will grow by slightly less than 6%, also reaching 15.9% of GDP.

6 The last 12 months show growth in expenditure concentrated in public consumption, and, to a lesser extent, in investment, interest, and subsidies and transfers. At year-end, similar contributions are expected from public consumption and somewhat lower from the other items.

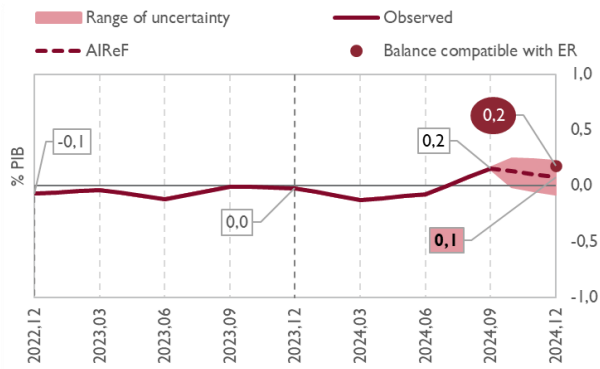


Local Governments

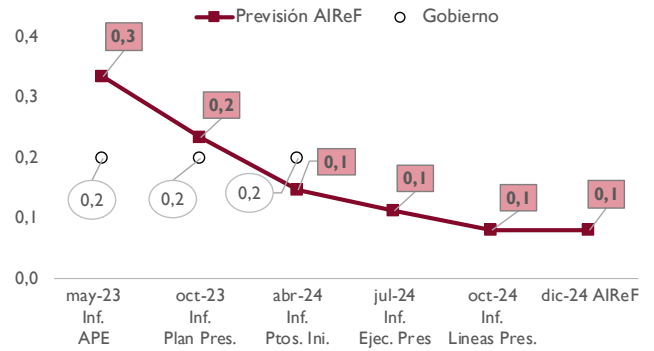
1 AIReF estimates for 2024 a LG surplus of 0.1% of GDP for 2024, with an effect of less than 0.1 points from the DANA for that year. The surplus needed to comply with the expenditure rule would be 0.2%.

2 October estimates are maintained, albeit with a slight improvement due to execution data to September 2024, mitigated by the estimated impact of the DANA for that year.

Evolution of LG surplus (% GDP)



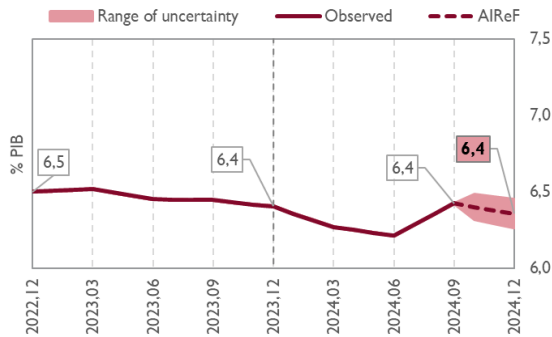
Updated estimated LG surplus (% GDP)



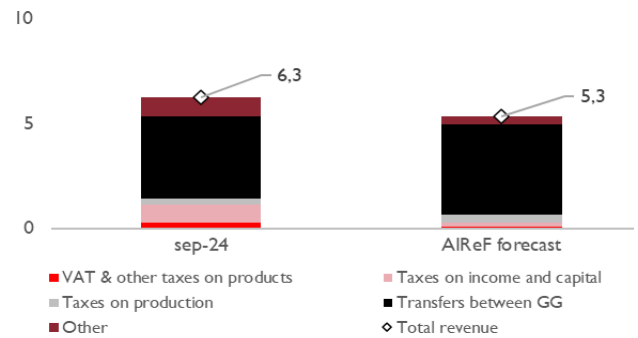
3 Revenue growth without the RTRP is estimated to be close to 5%, mainly due to the extraordinary settlement of the financing system, maintaining its weight of GDP at 6.3% (6.4% with RTRP).

4 2024 growth shows a strong impact of transfers between GG sub-sectors due to the effect of the 2022 settlement of the financing system (0.2 points of GDP more than the previous year). PIT loses its weight due to the impact of the court ruling on mutual insurance companies.

LG revenue (% GDP)



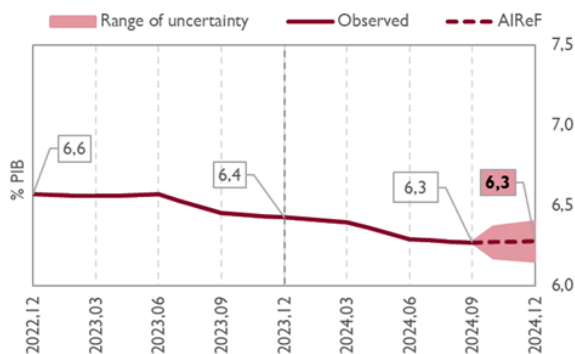
LG revenue (% change)



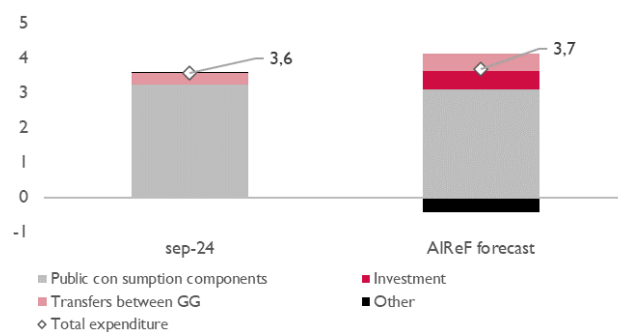
5 Expenditure without the RTRP will grow by around 4%, decreasing its weight of GDP to 6.2% (6.3% with the RTRP), 0.1 points less than in 2023.

6 By year-end, a similar contribution to growth in public consumption and a higher contribution in investment is expected in 2024. Subsidies and other current transfers decrease, according to the third quarter execution data.

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. In this regard, the fiscal impact of the measures announced by the GG to respond to the damages caused by the DANA has been included.
- 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