

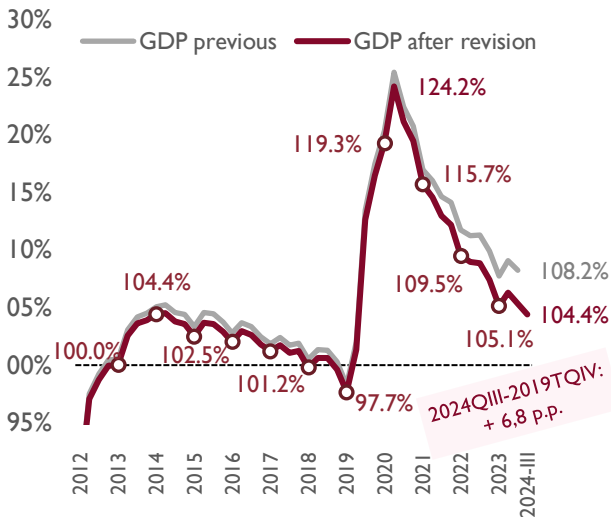


- *The Spanish debt-to-GDP ratio stood at 104.4% in the third quarter of 2024, down 0.7 points from year-end 2023. Although the cumulative reduction since the peak reached in the first quarter of 2021 (124.2%) is 19.8 points, it still remains 6.8 points above the pre-pandemic level.*
- *Economic growth has been the main driver of the fall in the ratio after the initial increase during the pandemic. Over the period 2020-2023, the contribution of growth to the fall in the debt ratio has been 20 points of GDP: a public deficit on a downward trend, despite a slight rebound in the debt burden, has helped consolidate the reduction.*
- *The latest revision of GDP has led to a 2.9-point reduction in the debt ratio as an effect of a higher denominator of the ratio.*
- *Spain is currently one of the EMU countries with the highest levels of debt, behind Greece, Italy, France and Belgium.*
- *Euro area inflation has been on a downward path over the last year, approaching the European Central Bank's (ECB) 2% target, with expectations of stability in the coming years. With disinflation progressing solidly, along with some signs of economic slowdown and a cooling labour market, monetary policy is moving towards an easing phase, from tightening to neutral.*
- *Both the ECB and the Federal Reserve (Fed) have opted for a strategy of gradual tightening of interest rates, which remain restrictive. The markets expect that, in a soft landing scenario, interest rate cuts will continue gradually throughout 2025, reaching values of 2% and 3%, respectively.*
- *Over the last year, the main central banks have made progress in reducing their balance sheets, a process known as "quantitative tightening", with the aim of normalising monetary conditions after years of expansionary policies. The balance sheets of the ECB and the Fed will continue to shrink in 2025, and could end at around 40% and 20% of GDP, after peaking at 66% and 37%.*
- *The reduction in asset purchases by central banks has eliminated a key player in secondary bond markets, but this reduction has been offset by strong demand from private investors.*
- *Foreign investors are the main holders of public debt in Spain, increasing their holdings of government bonds and debentures by 5.1 points to 45.1% of the total. Of note was the speed and intensity of treasury bill purchases by the household sector, with a record increase of more than €26bn to October 2024, accounting for more than a third (36.2%) of total holdings.*
- *Over the last two years, the evolution of sovereign debt yields has been fairly stable. After the sharp and rapid rise in sovereign debt yield curves in the wake of the inflationary episode and the reaction of central banks, the last two years have seen a broadly sideways movement in yields across maturities and countries.*

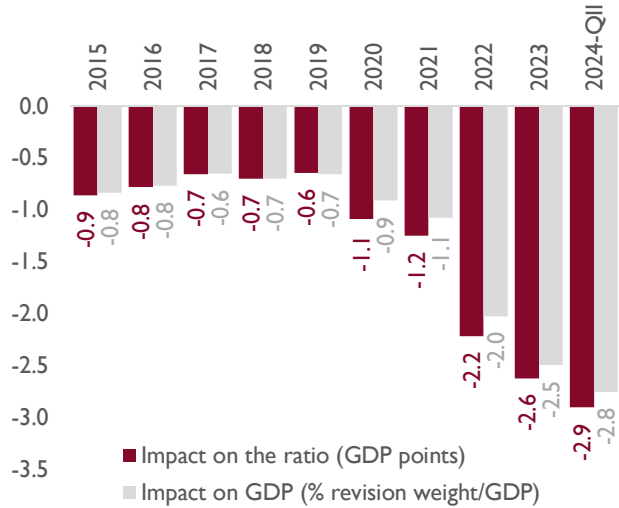
- Among the major European issuers, Spain has improved its relative position in the debt markets, while France has faced a deterioration in investor confidence due to political and fiscal instability. Spain's risk premium has shown a downward trend, standing at levels similar to those of October 2021, below 70 basis points. In September 2024, the yield on the Spanish 10-year bond matched that of the French bond, a milestone not seen since 2007.
- As for State financing, the average cost of new Treasury issues marked a turning point in 2024, dropping 28 basis points to 3.16%, a reduction in line with the ECB's cumulative rate cut. Lower issuance rates, but higher than the average cost of the portfolio, will mean that the average cost will continue to rise for some time.
- The average maturity of the portfolio remains stable at the highs of around 8 years reached in 2021, having closed 2024 at 7.9 years. This long average maturity has softened the impact of rising interest rates in recent years, such that the average cost of outstanding debt has only risen by 57 basis points since its all-time low in 2021, compared with a cumulative rise of 350 basis points in official rates over the same period.
- For 2025, the Treasury is proposing a slightly higher financing programme than last year, increasing net issuance by €5bn to €60bn.
- Gross issuance is expected to rise to €278.448bn, 7.4% higher than in 2024, due to the higher volume of redemptions and the slight increase in net issuance, although as a percentage of GDP it remains at 17%, a relatively low ratio in historical terms, which represents a reduced refinancing risk.
- The Treasury intends to continue promoting the diversification of the investor base in a context of a shrinking European Central Bank balance sheet through the issuance of green bonds and inflation-linked bonds. In addition, according to the Treasury's funding strategy, significant amounts of European loans from the Next Generation EU programme will be received for the first time in 2025.
- The maturity profile of public debt shows net borrowing needs evenly distributed over the next few years, with moderate maturities in the short term and a granular distribution in the medium and long term, with no concentration of maturities in any one year.
- In its medium-term baseline projection, AIReF estimates a reduction in the debt ratio of 7.2 points of GDP with respect to the 2023 level, bringing it down to 98% in 2029. The reduction in the ratio will be underpinned by nominal GDP growth, where the deflator will make a very significant contribution. The moderation in the contribution of nominal growth would imply a slowdown in the pace of reduction of the debt ratio, which would be depleted by the end of the decade.
- In the long term, AIReF estimates that the debt ratio could return to an upward path in a no-policy change scenario, to stand at 108.9% in 2041.
- The new economic governance framework in the EU has started its implementation with the submission of Medium-Term Fiscal-Structural Plans (MTPs) by most Member States in October 2024.

- *The MTPs are the main multi-year budgetary document of governments, replacing the Stability Programme Update. The central element of these plans is a net primary expenditure growth path that will remain fixed for the next four years, and which aims to ensure a downward debt path in the medium to long term.*
- *The MTP contains a commitment to growth in primary expenditure net of General Government revenue measures of an annual average of 3% between 2025 and 2031, equivalent to cumulative growth of 23.3% to 2031 and with a downward profile over time (net primary expenditure growth on average of 3.4% over the period 2025-2031). This commitment is 0.3 points higher on average than the reference trajectory submitted by the European Commission in June.*
- *According to AIReF's estimates, in order to guarantee compliance with the net expenditure path commitment, it will be necessary to adopt additional measures to those contained in AIReF's no-policy change scenario. While the MTP contains average growth in expenditure of 3% in the period 2025-2031, AIReF's scenario without measures estimates an annual average of 3.6%.*
- *Under the assumption that the expenditure path commitment is met, the Government estimates that the debt ratio could be reduced by 42.4 points in 2041 compared with the baseline scenario without adjustments. Conversely, AIReF projects a smaller reduction in debt, 21.4 pp, even if the net expenditure evolution rate commitments are met.*
- *From AIReF's point of view, the MTP submitted by the Government, although it may be in line with the European Commission's June guidelines, does not provide sufficient detail of the measures it intends to introduce to meet the expenditure commitment, and is not thus a useful medium-term budgetary planning tool.*

Debt (GDP), quarterly evolution



Impact of the national accounts revision on GDP and the debt ratio

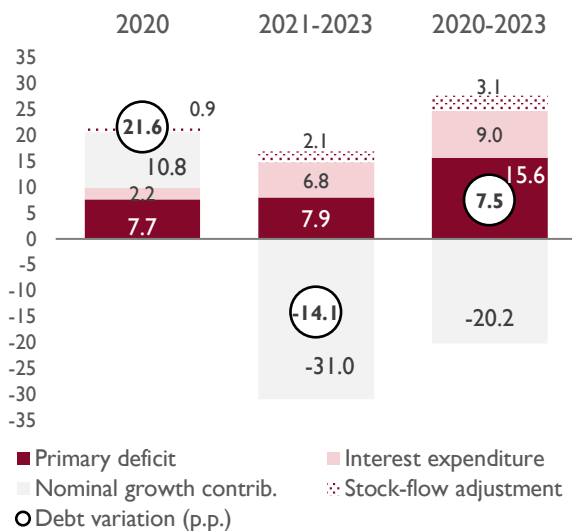


Source: INE, Bank of Spain and AIReF

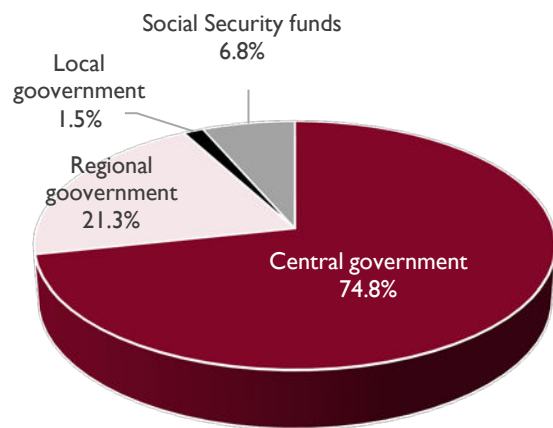
The Spanish debt-to-GDP ratio stood at 104.4% in the third quarter of 2024, a reduction of 0.7 points on year-end 2023, a reduction of 3 points of GDP in the last year, and an increase of 6.8 points from the pre-pandemic level. The cumulative reduction since the peak reached in the first quarter of 2021 (124.2%) is 19.8 points. In monetary terms in 2024, public debt has continued to grow, at a somewhat slower pace than nominal GDP, to reach €1.628tn in October, a year-on-year rate of growth of 3.5%.

The latest revision of GDP has meant a reduction of almost 3 points in the debt ratio. The increase of €41.386bn in the level of GDP in the second quarter of 2024, according to the latest revision of the Spanish National Accounts, has led to a reduction of 2.9 points in the debt ratio as an effect of a higher denominator of the ratio.

Contributions to debt change (points of GDP), period 2020-2023



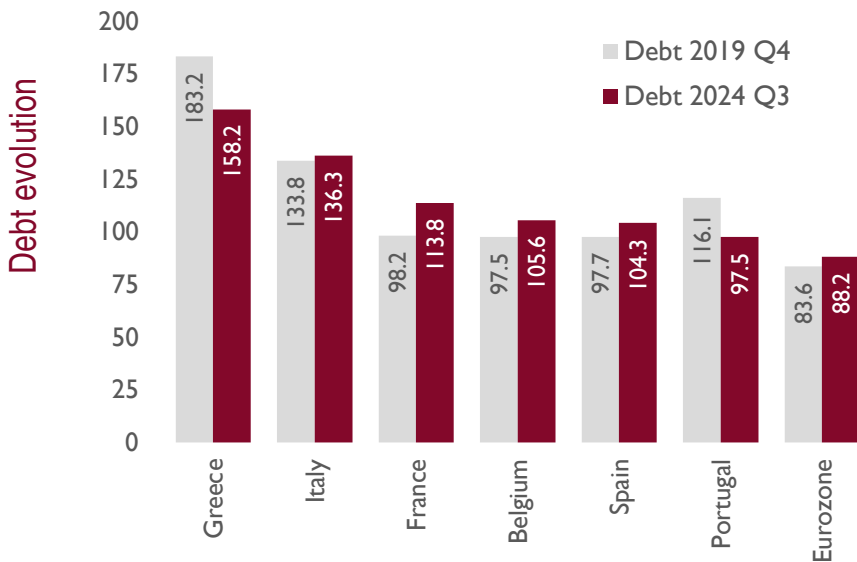
Distribution of debt by sub-sector (weight %)



Economic growth has been the main driver of the reduction in the ratio after the initial increase during the pandemic. Over the period 2020-2023, the contribution of growth to the reduction in the debt ratio has amounted to 20 points of GDP: a public deficit on a downward path, despite a slight rebound in the debt burden, has helped consolidate the reduction.

With regard to the evolution of the debt of the various General Government sub-sectors, the fiscal balance of Central Government debt reached €1.504bn in September 2024, equivalent to 96% of GDP. This sub-sector experienced a year-on-year increase of 4.7% in the third quarter of 2024. In addition, the debt of the Social Security Funds amounted to €116bn, representing 7.4% of GDP, with a year-on-year increase of 9.4%. As regards the Autonomous Regions and Local Governments, the debt of the former amounted to €333bn in September 2024, equivalent to 21.3% of GDP, with year-on-year growth of 2.4%. For its part, Local Government debt amounted to €23bn in the third quarter of 2024, representing 1.5% of GDP and 0.6% lower than in the same period of the previous year.

Debt (% GDP), evolution compared with the pre-Covid level of EU countries with a ratio above 100%.

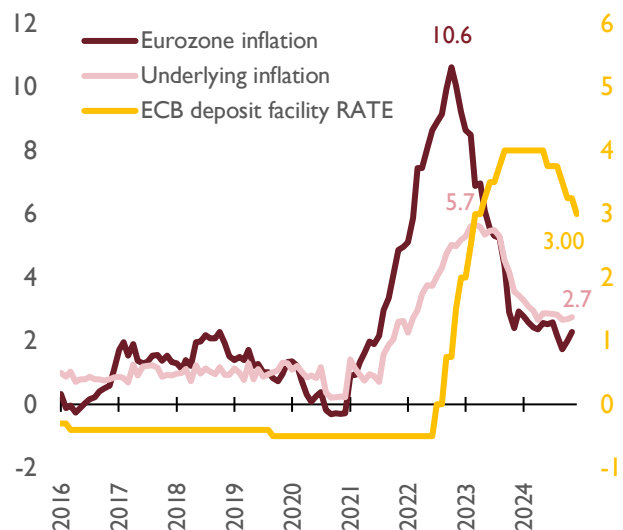


In the European Union, six countries have a debt ratio above 100%. The most notable cases are Greece and Italy. Although Greece is still the country with the highest ratio, its evolution is favourable, having reduced its indebtedness by more than 20 points in recent years. France, Spain and Belgium are the next group of countries above 100%, maintaining a ratio above the pre-pandemic level. Portugal has reduced its ratio by more than 15 points and is on the verge of falling below the 100% threshold,

Source: Eurostat and Ameco

Inflation in the euro area has shown a downward trend in the last year, approaching the 2% target of the European Central Bank (ECB), with expectations of stability in the coming years. After a significant decline in 2023, inflation has moderated its fall in 2024 showing some signs of stabilising at levels somewhat above those desired by central banks. In December 2024, the ECB published its macroeconomic projections, forecasting that headline inflation would remain at around 2% from the second quarter of 2025 onwards. This moderation is attributed to the easing of cost pressures and the gradual pass-through of the impact of past monetary policy decisions to consumer prices. In Spain, inflation closed December 2024 at 2.8%, 0.4 points higher than in November, particularly driven by higher fuel prices. Despite this rebound, average annual inflation in 2024 stood at 2.8%, reflecting a general trend of moderation compared with previous years.

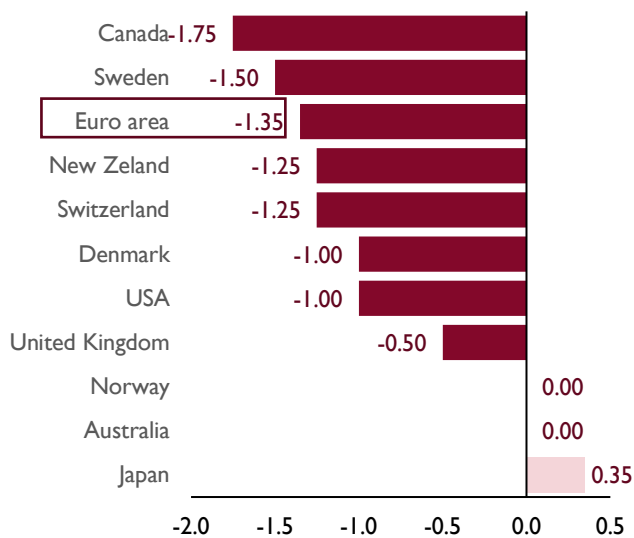
Harmonised inflation in the euro area and the ECB's deposit facility rate



Source: Eurostat and ECB

Inflation and interest rates

Change in official interest rates in 2024



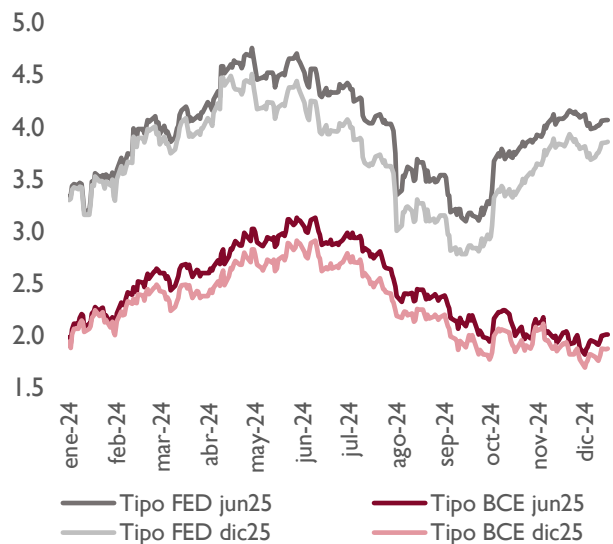
Fuente: Refinitiv

Both the ECB and the Fed have opted for a strategy of gradual tightening. Although the ECB has reduced the deposit rate from the maximum of 4.00% to 3.00%, and the Fed has set the federal funds rate range between 4.25% and 4.50% (down from the maximum of 5.25%-5.50%), both levels remain restrictive. In a soft landing scenario, rate cuts are expected to continue gradually over 2025, reaching 2% and 3% respectively.

Markets are discounting different rate cuts on both sides of the Atlantic. Central banks are on the last mile of disinflation, but have not yet reached the finish line. On the balance of risks, cutting rates too cautiously may cool the economy more than desired, while cutting rates too fast could frustrate the final victory against inflation. Given the economic backdrop in the euro area, the ECB faces more of the first risk, while the Fed faces the second, with the economy still growing above potential, inflation still showing some signs of resistance, and the big policy question mark of the incoming White House administration, which could imply more fiscal stimulus and more restrictive trade policies. Accordingly, markets moved to discount a mid-2025 arrival level for the ECB's deposit rate at 2% (vs. 2.25% at the end of the summer), and for *fed funds* in the range of 3.75%-4.00% (3.00%-3.25% a month ago). A divergence that is also being reflected in stock markets and exchange rates.

With disinflation progressing solidly, along with some signs of an economic slowdown and a cooling labour market, monetary policy is moving towards an easing phase, from tightening to neutral. Both the ECB and the Federal Reserve (Fed), along with other major central banks, have started this process with interest rate cuts, a trend that will likely extend over 2025, initiating a path towards natural interest rates. By 2025, the aim for central banks is to tighten interest rates to a level that neither boosts nor slows the economy, but sustains it in balance with its potential capacity. This level, known as the neutral or natural interest rate, is an unobservable concept surrounded by uncertainty, but serves as a key benchmark for guiding monetary policy.

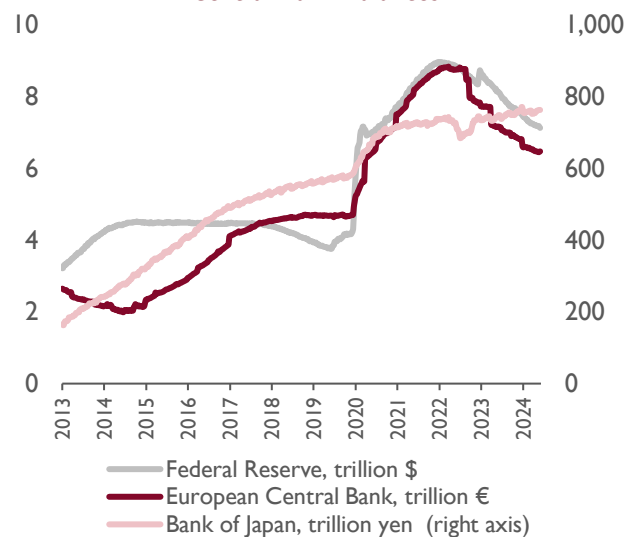
Expected Fed and ECB rates for June and December 2025



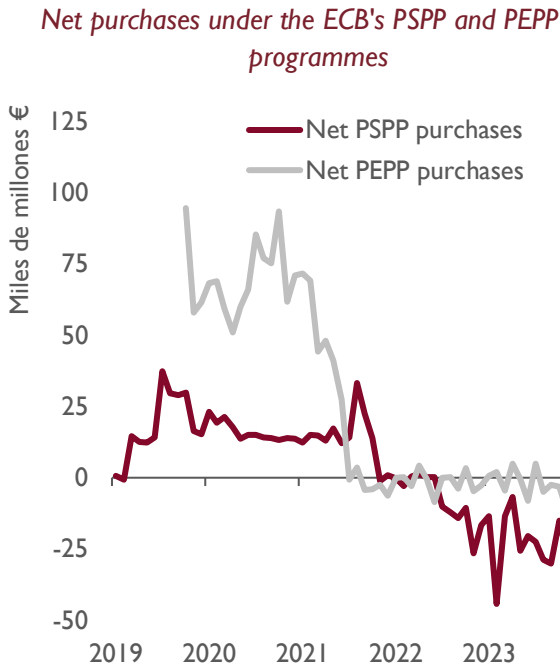
The expected ECB rate is close to the expected three-month Euribor rate.

Source: Refinitiv

Central Bank Balances



Source: Refinitiv



Source: Refinitiv

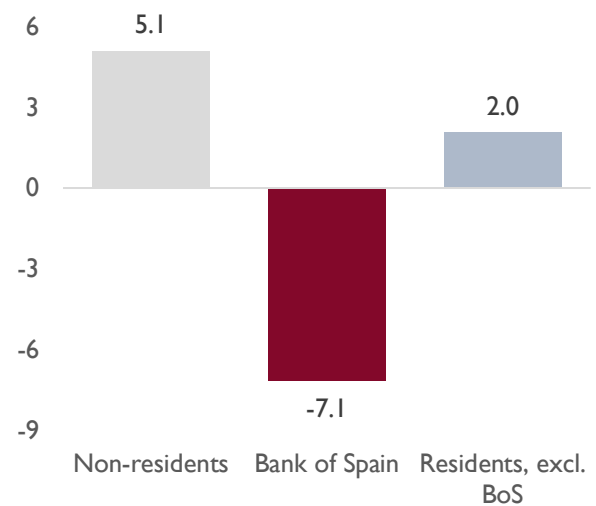
The reduction in asset purchases by central banks has eliminated a key player in secondary bond markets. Over the past two years, both the ECB and the Fed have significantly reduced their bond holdings, but this reduction has been effectively offset by robust demand from private investors. This favourable trend is expected to persist in 2025, even considering that the purchases that the Fed and the ECB will stop making are of considerable size.

Foreign investors are the main holders of public debt in Spain. Since mid-2022, foreign investors have increased their holdings of government bonds and debentures by 5.1 points to 45.1% of the total. For their part, resident investors have increased their holdings by 2 points to complete the reduction in debt held by the Bank of Spain of 7.1 points.

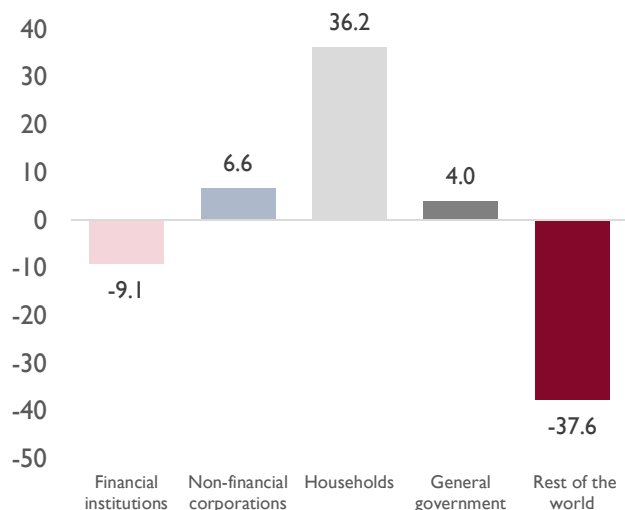
Of particular note was the speed and intensity of purchases by the household sector. The increase in official rates and their scant knock-on to remuneration of commercial bank deposits, together with the rise in savings during the pandemic, attracted household investment in instruments such as treasury bills. Since mid-2022, retail investors' high interest in treasury bills has been very significant, with them becoming their main holder, with a record increase of more than €26bn up to October 2024. As a result, households accounted for more than a third (36.2%) of total treasury bill holdings at that date, making them the main type of investor in this segment.

Over the last year, the main central banks have made progress in reducing their balance sheets, a process known as "**quantitative tightening**", with the aim of normalising monetary conditions after years of expansionary policies. The rate cuts will be accompanied by the reduction of balance sheets that have grown exponentially in recent years. The reduction of balance sheets has been carried out through a passive strategy, based on allowing assets to mature without being renewed, avoiding the early sale of these instruments. The balance sheets of the ECB and the Fed will continue to shrink in 2025, and could be around 40% and 20% of GDP in the euro area and the US, respectively. To date, markets have absorbed this adjustment in an orderly manner, without generating dysfunctions or turbulence, and without jeopardising the process of monetary easing initiated with the recent interest rate cuts.

Holdings of government bonds and debentures by type of investor (%), change May 2022-October 2024

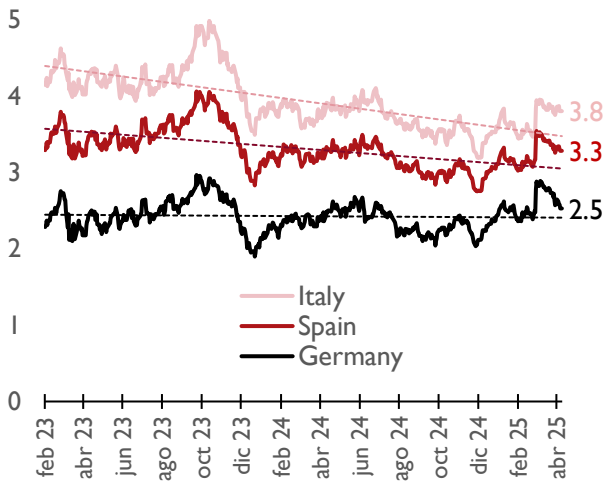


Treasury bill holdings by type of investor (% share), change May 2022-October 2024



Source Bank of Spain

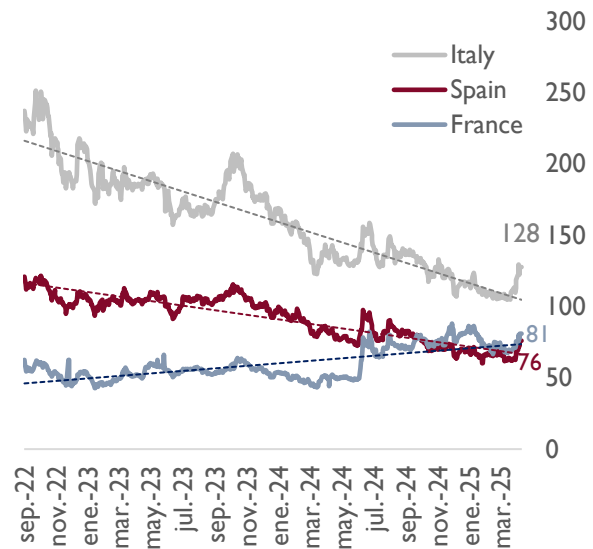
10-year bond yield (%)



Source: Refinitiv

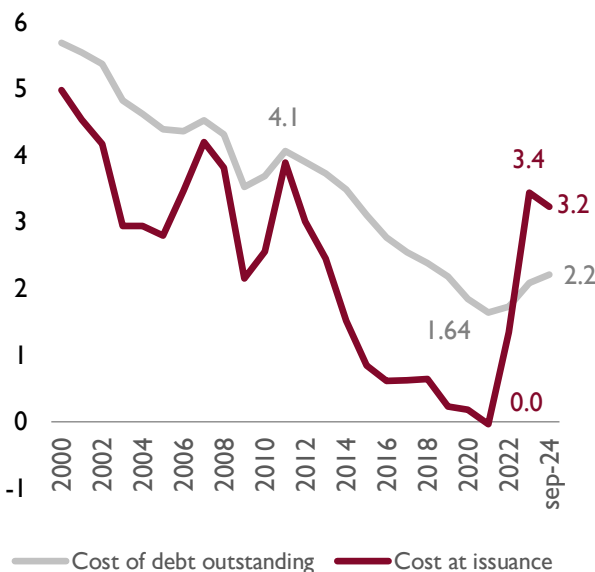
Within the large European issuers, Spain has improved its relative position in bond markets, while France has faced a deterioration in investor confidence due to political and fiscal instability. Italy, while showing an improvement, continues to be viewed more cautiously by markets. In recent years, the risk premiums of Spain, France and Italy have fluctuated significantly, reflecting the economic and political dynamics of each country. The Spanish risk premium has shown a downward trend, reaching levels similar to those of October 2021. In early December 2024, it dropped below 70 basis points, reaching 65 basis points, indicating an improvement in the country's perceived solvency. In September 2024, the yield on the Spanish 10-year bond matched that of the French bond, a milestone not seen since 2007.

Spread with Germany (risk premium)



Source: Refinitiv

Average cost of government debt (%)



Source: Treasury

Over the last two years, sovereign debt yields have shown a stable evolution. Following the sharp and rapid rise in sovereign debt yield curves in the wake of the inflationary episode and the reaction of central banks, the last two years have seen a broadly sideways movement in yields across maturities and countries. This evolution has not been free of certain ups and downs linked to the evolution of inflation and activity and the reaction of monetary authorities.

As for government financing, the average cost of new Treasury issues marked a turning point in 2024, falling by 28 basis points. In 2024, the average cost per year of new Treasury issues stood at 3.16%, 28 basis points below the 3.44% recorded in 2023 and 80 basis points below the peak (3.96%) reached in October 2023, a reduction in line with the ECB's cumulative rate cut. Lower issuance rates, but higher than the average cost of the portfolio, will mean that the average cost will continue to rise for some time to come. On the other hand, the average maturity of the portfolio remains stable at the highs of around 8 years reached in 2021, having closed 2024 at 7.9 years. This long average maturity has softened the impact of rising interest rates in recent years, so that the average cost of outstanding debt has only risen by 57 basis points since its all-time low in 2021, compared with a cumulative rise of 350 basis points in official rates over the same period.

For 2025, the Treasury is proposing a slightly higher financing programme than last year, increasing net issuance by €5bn to €60bn. Gross issuance will rise to €278.448bn, 7.4% higher than in 2024, due to the higher volume of redemptions and the slight increase in net issuance, although net issuance as a percentage of GDP remains at 17%, a relatively low ratio in historical terms, which represents a lower refinancing risk. Most of these net issues will be covered with medium and long-term instruments, with €55bn, contributing to the target of maintaining the average maturity of the portfolio. The remaining €5bn will be covered by net issues of treasury bills, to continue providing liquidity to these instruments in a context of high retail demand.

In addition, the Government expects significant amounts of European loans from the Next Generation EU programme to be received for the first time in 2025. These loans are intended to finance the financial instruments considered in the addendum to the Recovery Plan, channelling European funds to the Spanish business fabric. In December 2024, the Treasury requested the disbursement of €16bn in Recovery Plan loans. Spain will continue to receive parallel transfers under the Next Generation EU and REPowerEU programmes.

The Treasury intends to promote diversification of the investor base through the issuance of green bonds and inflation-linked bonds. In 2025, the Treasury will maintain the pattern of securities issuance, obtaining the bulk of its funding through regular auctions of treasury bills and government bonds and debentures. The issuance of green bonds will also be stepped up, with the intention that these issues will reach a volume similar to that of the rest of the references on the Treasury curve.

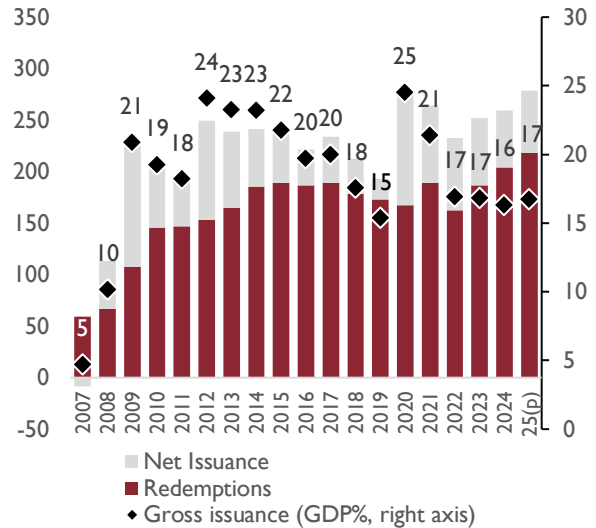
Government debt has a low refinancing risk. The maturity profile of government debt shows net borrowing needs well distributed over the coming years, with moderate maturities in the short term and a distribution in the medium and long term, with no concentration of maturities in any one year.

Treasury financing in 2024 and 2025 (€bn)

(billions euros)	Initial fore. 2024	Execution 2024	Forecast 2025
Net Issuance	55.0	55.0	60.0
Gross Issuance	257.6	259.4	278.4
Medium and long term			
Gross Issuance	173.1	169.9	176.5
Redemptions	118.1	118.1	121.5
Net Issuance	55.0	51.8	55.0
Letras del Tesoro			
Gross Issuance	84.5	89.5	101.9
Redemptions	84.5	86.2	96.9
Net Issuance	0.0	3.3	5.0

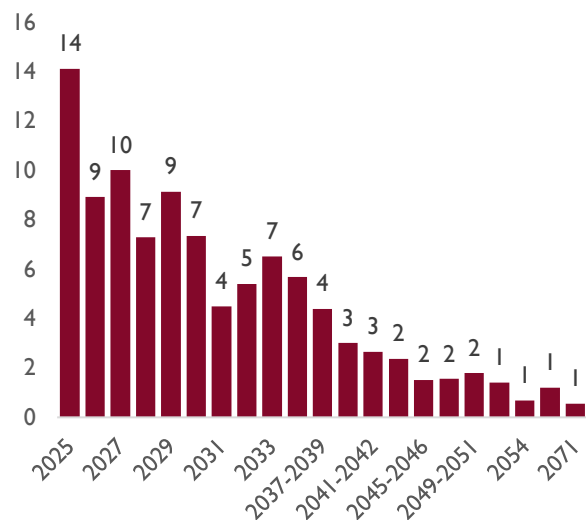
Source: Treasury

Treasury net borrowing (€bn and % GDP)

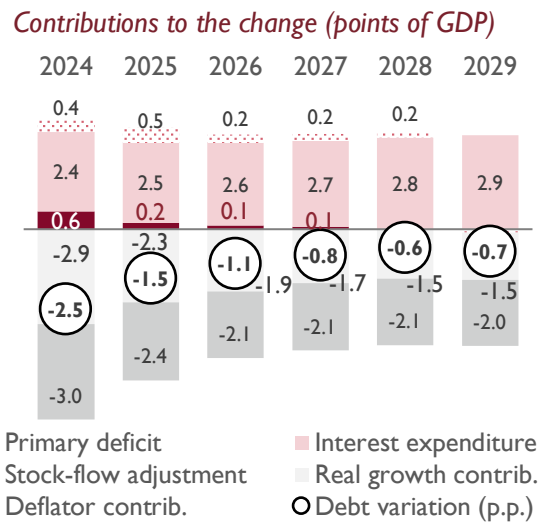
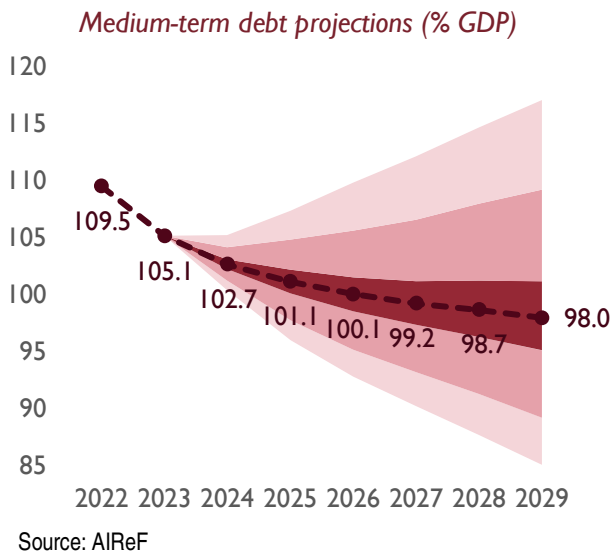


Source: Treasury

Maturity profile of government debt (Jan-25) (percentage of portfolio and maturity)

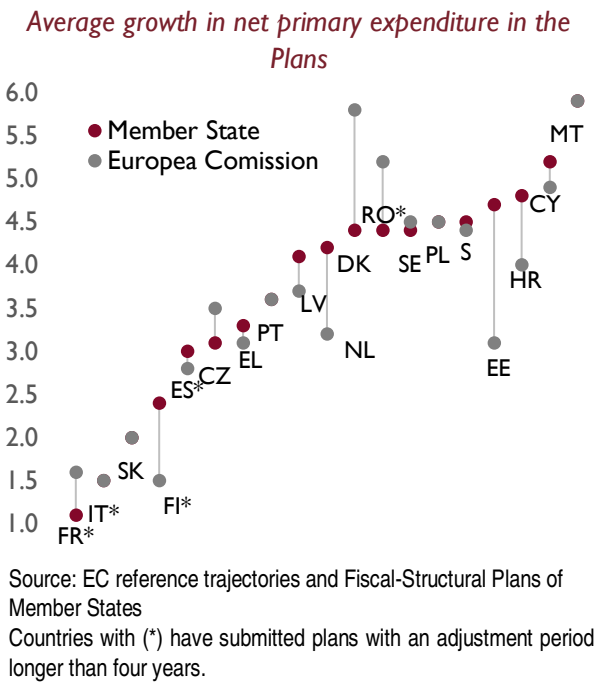


Source: Treasury



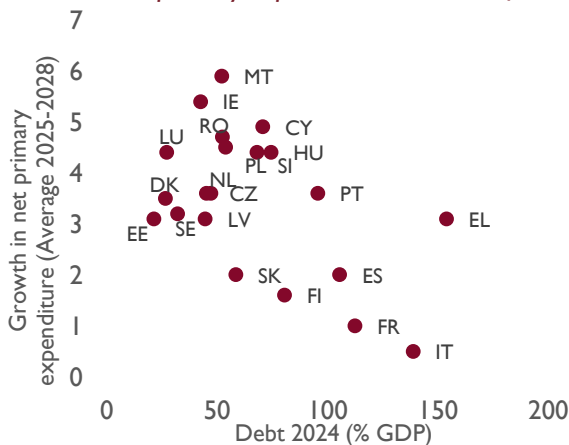
In its medium-term baseline projection, AIReF estimates a reduction in the debt ratio of 7.2 points of GDP with respect to the 2023 level, bringing it down to 98% in 2029. The reduction in the ratio will be underpinned by nominal GDP growth (25.4 points), with the deflator making a very significant contribution (13.6 points). The public deficit contributes to the increase in debt by 16.8 points, of which 15.9 points are interest.

The pace of the reduction in the debt ratio is projected to slow down and to be depleted by the end of the decade. The moderation in the contribution of nominal growth, which will gradually slide downwards over the period 2024-2029 (from 5.9% to 3.5%), with interest rates evolving upwards (from 2.4% to 2.9%) and the primary balance stabilising at around 0%, will result in a slowdown in the pace of debt reduction.



The new economic governance framework in the EU started its implementation with the submission of Medium-Term Fiscal-Structural Plans (MTPs) by most Member States in October 2024. The reform of the European fiscal framework entered into force in April 2024. This reform aims to achieve synergies between fiscal consolidation and growth and to improve compliance with the rules by establishing differentiated country-by-country plans negotiated bilaterally between the EC and governments. Following the submission of the EC's preliminary guidelines and the technical dialogue, Member States have sent the European Commission (EC) their first MTP. The MTPs are the main multi-year budgetary document of governments, replacing the Stability Programme Update. As part of the Autumn Package, the EC endorsed the content of the plans submitted by 20 countries, asking the Netherlands for a review of the proposed expenditure forecast.

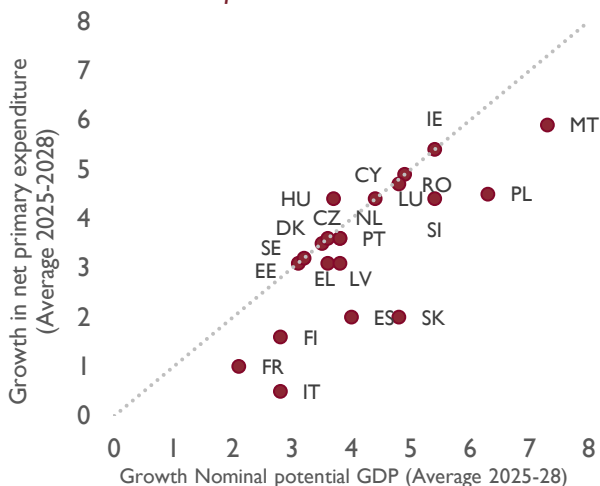
Growth in net primary expenditure and level of debt



The EU fiscal reform places greater emphasis on debt sustainability and streamlines the relevant indicators for fiscal monitoring purposes around the net primary expenditure forecast. The central element of these plans is a forecast for net primary expenditure growth that will remain fixed for the next four years and is intended to ensure that debt maintains a downward path over the medium to long term. The new framework is based on a debt sustainability analysis to derive this expenditure path. In general, the lower the baseline debt level, the higher the average expenditure growth of the reference trajectory. This will be the relevant variable for both ex-ante and ex-post monitoring in the annual progress reports to be submitted in April each year.

The reform allows for the extension of the adjustment period, so that it can be more gradual, if reforms and investments are committed to. Five Member States have submitted plans with an extended period: ES, FR, FI, IT and RO.

Average growth of the forecast reference path and potential GDP



Source: AIReF

FR: France / IT: Italy / SK: Slovakia / FI: Finland / ES: Spain / CZ: Czech Republic / EL: Greece / PT: Portugal / LV: Latvia / NL: Netherlands / DK: Denmark / RO: Romania / SE: Sweden / PL: Poland / SI: Slovenia / EE: Estonia / HR: Croatia / CY: Cyprus / MT: Malta

Member States can formulate their own expenditure paths different from the EC reference as long as the differences have a sound justification. The expenditure paths submitted by Member States show differences with respect to the reference trajectory formulated by the EC as a preliminary guideline. From the first round of Plans, up to 9 Member States have submitted expenditure paths higher than the previous guideline. The EC has assessed these plans positively with the exception of the plan of the Netherlands, whose expenditure path would not comply with the safeguards. Other Member States have submitted plans with expenditure paths below the reference trajectory. This is the case of Denmark, where its national fiscal framework establishes more stringent requirements than those that satisfy compliance with European rules.

Although the reform was intended to make the determination of fiscal commitments rely less on unobservable variables, potential GDP plays a central role in determining the expenditure path. Under the assumption of the methodology applied by the EC that government revenue grows roughly in line with potential GDP, expenditure growth lower than GDP leads to a fiscal adjustment. Accordingly, high potential growth allows higher expenditure to be maintained. Hence, countries that lie further away and below the 45-degree line in the figure are those that will have to undertake further consolidation.

The MTP contains a commitment to growth in primary expenditure net of GG revenue measures of an annual average of 3% between 2025 and 2031, equivalent to cumulative growth of 23.3% to 2031 and with a downward profile over time (net primary expenditure growth of 3.4% on average in the period 2025-2031). This commitment is 0.3 points higher on average than the reference trajectory submitted by the European Commission in June and its time profile is also different.

Fiscal commitment 2025-2031. Primary expenditure net of discretionary revenue measures (annual rates of change)

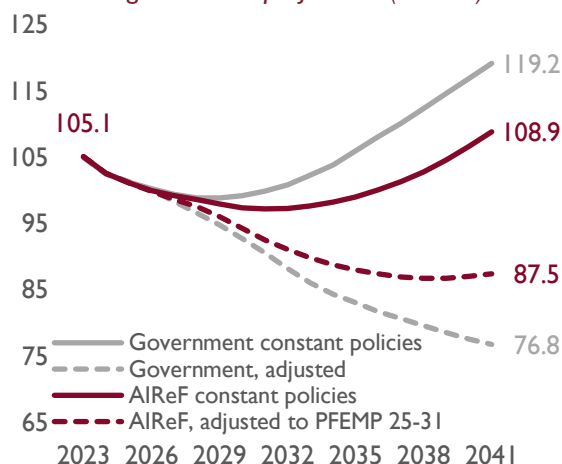
Growth rate of eligible expenditure	2024	2025	2026	2027	2028	2029	2030	2031
MTP	5,3	3,7	3,5	3,2	3	3	2,5	2,4
Commission reference trajectory	3,8	3,2	2,8	2,7	2,7	2,7	2,6	2,5

Source: Medium-Term Fiscal-Structural Plan 2025-2028 and Commission reference trajectory

In the long term, AIReF estimates that the debt ratio could return to an upward path in a no-policy change scenario, to stand at 108.9% in 2041. This increase would be determined by an accumulation of 66 points of deficit (60 points of interest), which will not be sufficiently offset by the contribution of GDP growth to reducing it (62.7 points).

The Government's baseline forecast places the debt ratio at 119.2% of GDP, a higher level than AIReF's projection. A worse evolution of the fiscal balance with a cumulative contribution of 80.4 points will not be sufficiently offset by a greater contribution of nominal GDP growth to reducing it (68.6 points).

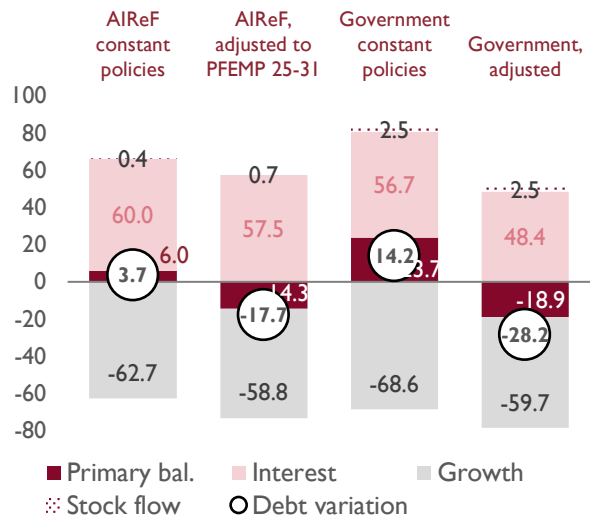
Long-term debt projections (% GDP)



The government's adjustment scenario, where the "nationally-financed net primary expenditure" variable grows at the rates committed to, shows very favourable deficit and debt evolution in the long term. The deficit and debt ratio are reduced by 4.6 and 42.4 points, respectively, compared with the government's baseline scenario in 2041.

Conversely, AIReF projects a smaller reduction in the deficit and debt ratio, even if the net expenditure path committed to in the MTP is met. The application of the rates of evolution of net expenditure of the fiscal commitment in the period 2025-2031, together with the rest of the macro-fiscal variables projected by AIReF, imply a reduction in the debt-to-GDP ratio of 21.4 points with respect to the baseline scenario at the end of the period. In terms of the fiscal balance, the deficit is projected to fall by 2.4 points.

Cumulative contributions over the period 2024-2041 to the change in the debt-to-GDP ratio



Source: AIReF

AIReF performs a complete exercise of revenue and expenditure forecasts, such as the one contained in the Opinion on the sustainability of the GG, while the MTP follows the methodology of the Commission's sustainability analysis, keeping the structural primary balance constant and incorporating the cost of ageing calculated in the Commission's Ageing Report and the impact of the revenue measures on the pension system.

Growth of primary expenditure net of revenue measures, MTP vs AIReF (% GDP)

Growth rate of eligible expenditure	2024	2025	2026	2027	2028	2029	2030	2031
Government MTP								
Annual	5,3	3,7	3,5	3,2	3,0	3,0	2,5	2,4
Cumulative		3,7	7,3	10,8	14,1	17,5	20,4	23,3
AIReF at unchanged policies								
Annual	4,1	3,7	4,0	3,7	3,4	3,8	3,4	3,3
Cumulative		3,7	7,9	11,9	15,7	20,1	24,3	28,5

Source: MTP and AIReF

From AIReF's point of view, compliance with the expenditure path commitment requires additional measures to those contained in the MTP. While the MTP contains average growth of 3% in the period 2025 to 2031, AIReF's scenario estimates an average annual growth rate of 3.6%. Moreover, there are also differences in the time profile.

In this regard, the MTP submitted by the Government, although it may be in line with the European Commission's June guidelines, does not offer sufficient detail to be considered a useful medium-term budgetary planning tool. Firstly, it does not contain any information on the budgetary scenario beyond 2024, neither for the GG sector nor by sub-sector. Nor does it include a detailed macroeconomic outlook beyond 2026. Secondly, although it contains a regulatory commitment to the evolution of primary expenditure net of revenue measures, the MTP does not explicitly state how this commitment is to be met, either in the form of specific measures or broad lines of action, or the degree of effort to be made by each sub-sector.