



Independent Authority
for Fiscal Responsibility

Report on the Initial Budgets of the General Government for 2025

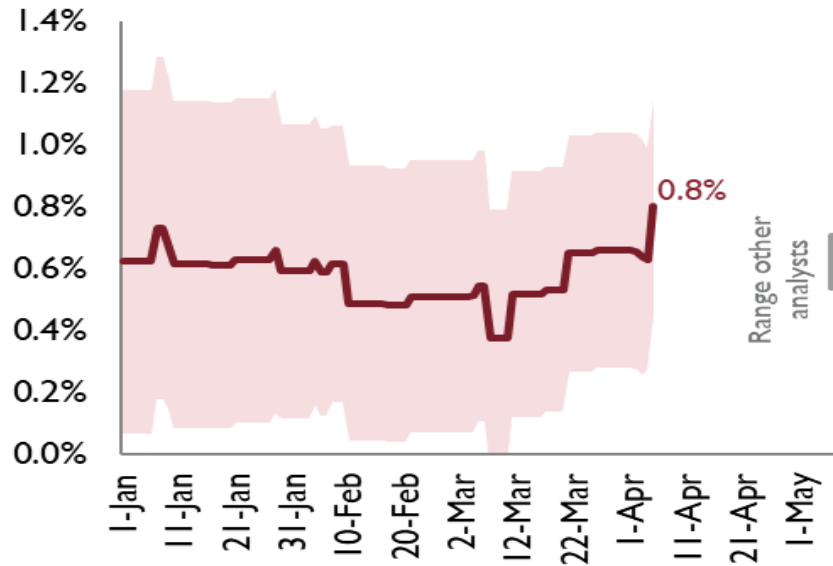
AIReF
April 10th, 2025

1

Macroeconomic scenario

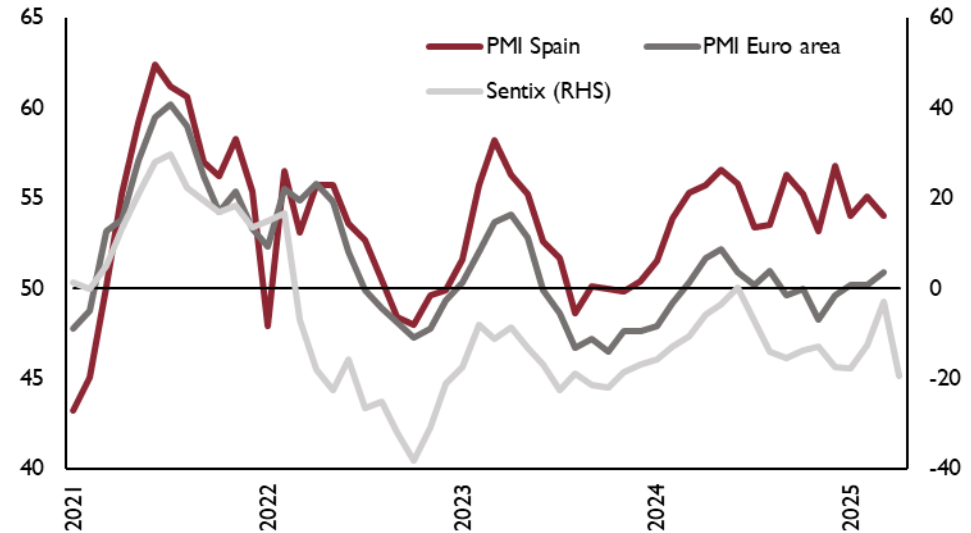
The indicators available for the first quarter of 2025 remain remarkably strong

REAL-TIME GDP ESTIMATE FOR FIRST QUARTER OF 2025
(QUARTER-ON-QUARTER RATE)



Source: AIReF

EURO AREA SENTIX INDICATOR AND COMPOSITE PMIS



Source: S&P Global

- MIPred model suggests GDP growth of 0.8% in Q1 2025
- Consumer confidence remained stable, and housing investment indicators, such as construction activity and home sales indicators, also maintained a stable trend
- However, international confidence indicators are beginning to reflect rising uncertainty

AIReF maintains its growth forecast for 2025, but this scenario does not yet incorporate effects of trade war

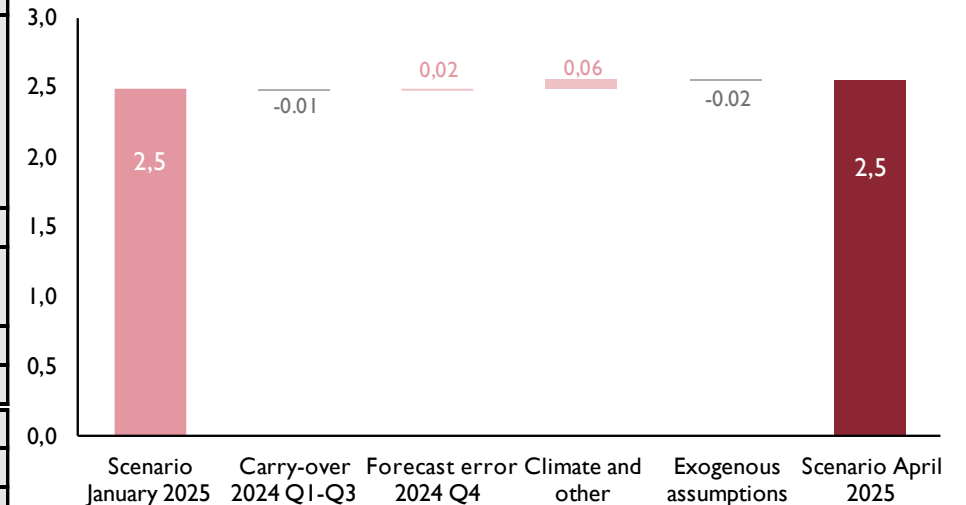
	2024	AIReF			Government
		Apr 2025	Jan 2025	Oct 2024	Jan 2025
Year-on-Year Rates of Change	2024	2025	2025	2025	2025
Private Domestic Final Consumption Expenditure	2.9	2.9	2.7	2.3	2.8
General Government Final Consumption Expenditure	4.1	2.3	1.9	2.1	2.6
Gross Fixed Capital Formation	3.0	3.5	2.9	2.4	4.5
GFCF Equipment and Cultivated Assets	2.9	4.2	1.7	1.8	-
GFCF Construction and Intellectual Property	3.0	3.3	3.4	2.6	-
Domestic Demand*	2.8	2.8	2.5	2.2	3.0
Exports of Goods and Services	3.1	2.7	2.7	3.4	2.3
Imports of Goods and Services	2.4	3.7	2.9	3.5	3.5
External Balance*	0.3	-0.2	0.0	0.1	-0.3
Gross Domestic Product	3.2	2.5	2.5	2.3	2.6
Nominal Gross Domestic Product	6.2	4.8	5.0	4.8	5.4
Gross Domestic Product Deflator	3.0	2.2	2.4	2.4	2.6
CPI	2.8	2.5	2.1	2.1	-
Full-Time Equivalent Employment	2.4	2.3	2.1	2.2	2.5
Hours Actually Worked	1.9	2.0	1.9	-	2.1
Unit Labour Cost**	4.0	3.1	2.7	2.5	-
Productivity per Full-Time Employee **	0.7	0.2	0.4	0.1	0.1
Compensation per Employee**	4.7	3.3	3.1	2.6	3.7
Unemployment Rate (% of Labour Force)	11.3	10.4	10.8	10.9	10.4
Household and NPISH Saving Rate (% Gross Disposable Income)	13.6	11.9	12.0	11.8	-

* Contribution to GDP growth

** AIReF, expressed in terms of full-time equivalent employment and Government, in terms of people

Source: INE, Ministry of Economy, Trade and Enterprise and AIReF

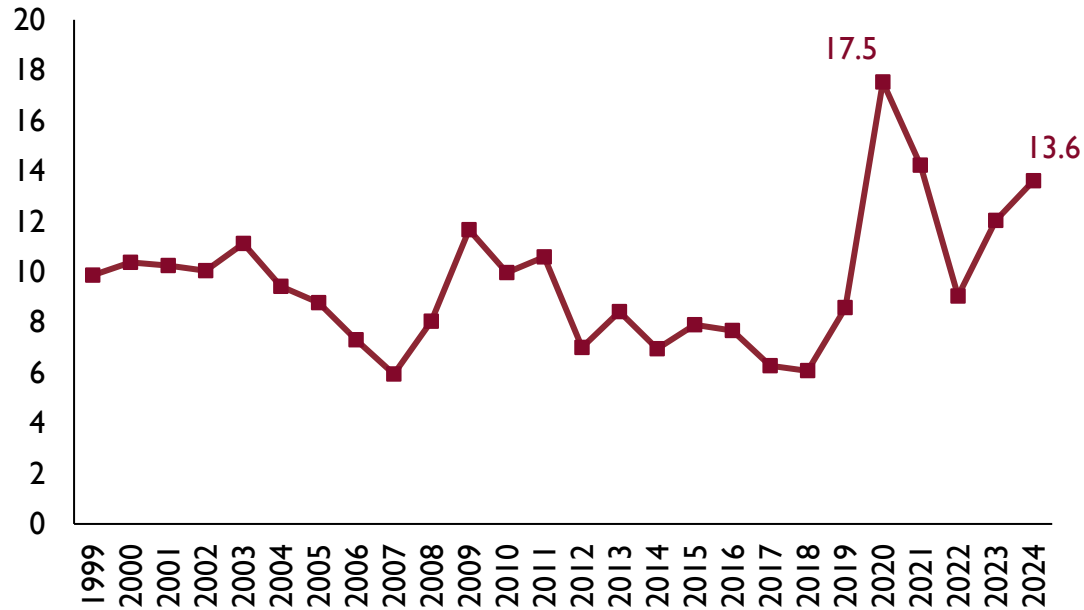
BREAKDOWN OF SOURCES OF REVISION OF GROWTH RATE OF GDP IN VOLUME TERMS WITH RESPECT TO JANUARY 2025 MACROECONOMIC SCENARIO



Domestic demand remains the main driver of growth in 2025 and a negative contribution from the foreign sector is expected

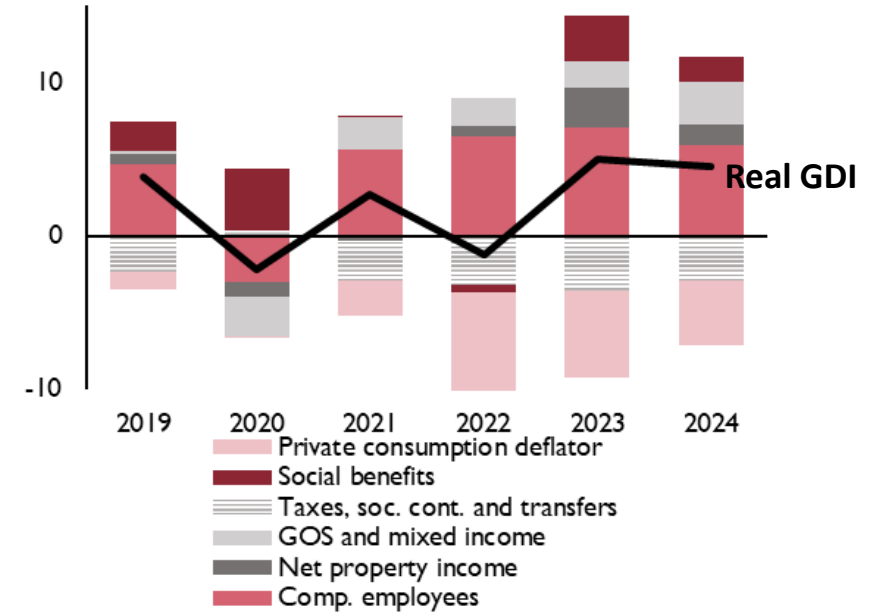
Private consumption growth is underpinned in 2025 by disposable income, employment and high saving rates

HOUSEHOLD AND NPISH SAVING RATE
(% OF GROSS DISPOSABLE INCOME)



Source: INE

BREAKDOWN OF GROWTH OF REAL GROSS DISPOSABLE
INCOME OF HOUSEHOLDS AND NPISH (%)

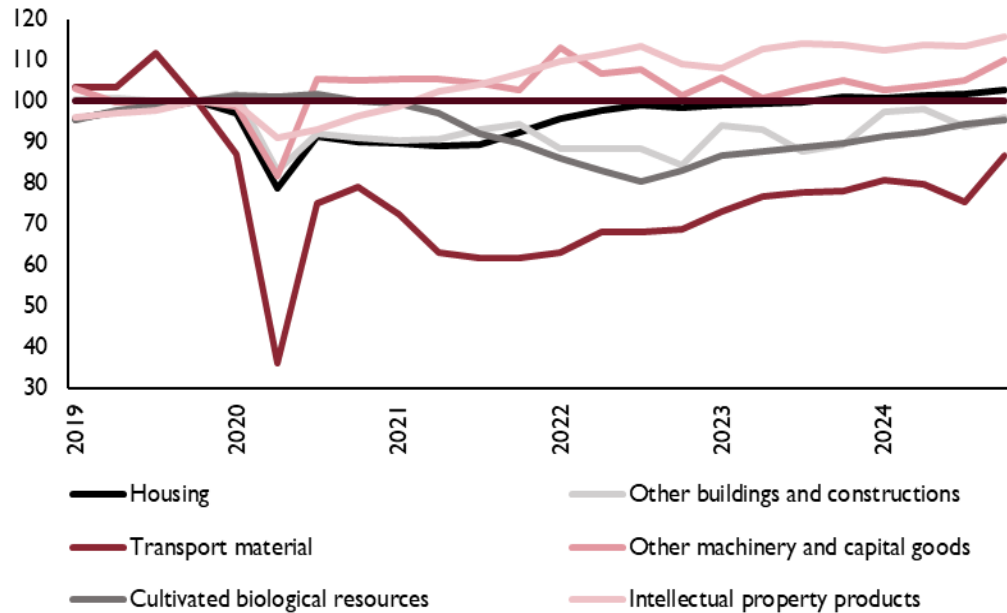


Source: INE

The household saving rate is at historically high levels and rising real disposable income and improved financing conditions will underpin consumption in 2025

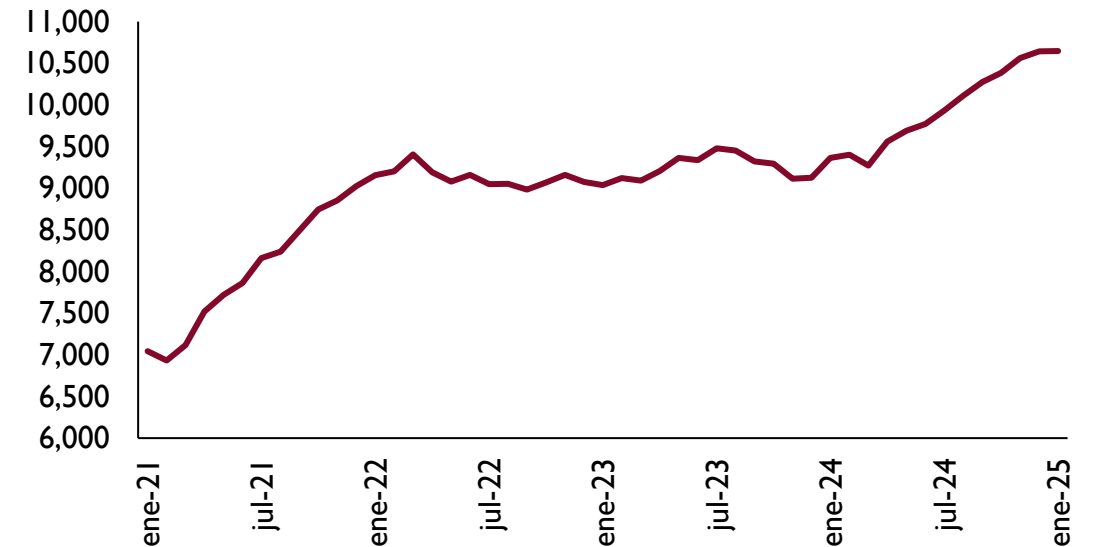
Outlook for investment growth is revised upwards, in particular investment in capital goods and cultivated assets

BREAKDOWN OF GFCF, BASE 2019Q4=100



Source: INE

NEW HOUSING APPROVALS (12-MONTH MOVING AVERAGE)

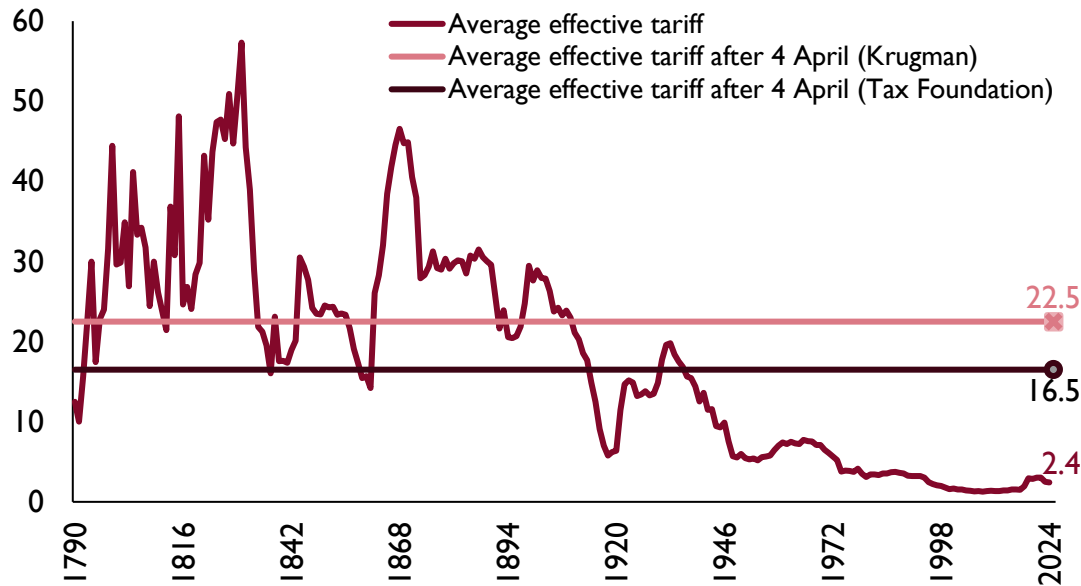


Source: Ministry of Housing and Urban Agenda

- The upward revision of business investment is due to the carry-over effect associated with the strong momentum of this spending component in the last quarter of 2024
- However, growth could be dampened in the coming months by uncertainty over trade policy.

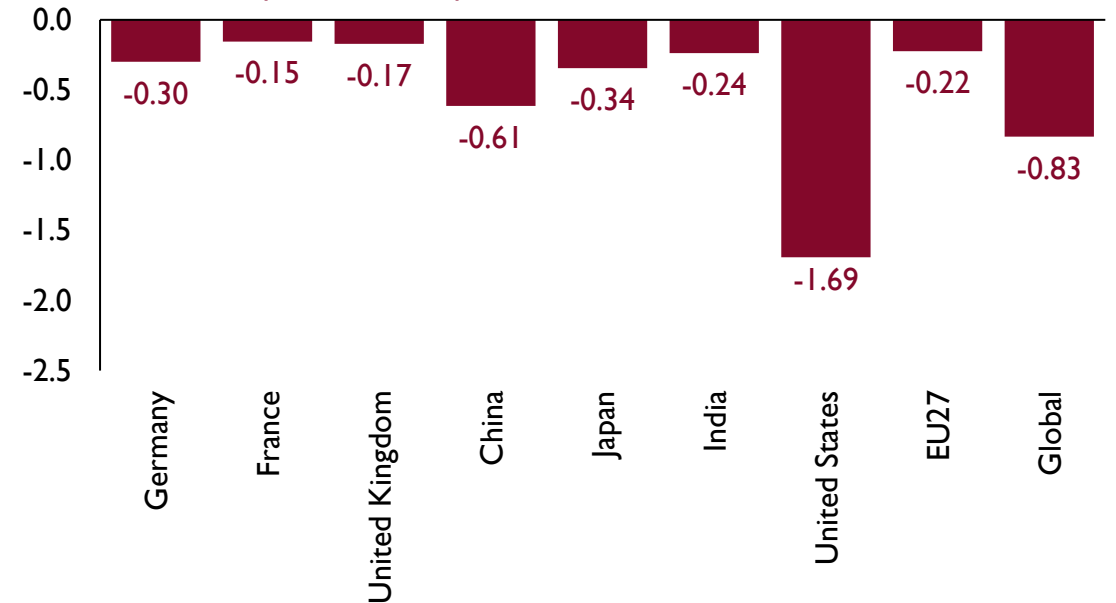
Intensity of tariff measures announced by the United States exceeded the most negative expectations

AVERAGE EFFECTIVE TARIFF APPLIED BY USA (%)



Source: Yale University, Tax Foundation and Krugman (2025)

SHORT-TERM IMPACT ON REAL PRODUCTION OF ANNOUNCED TARIFFS (UP TO 4 APRIL) AND NEW RECIPROCAL TARIFFS

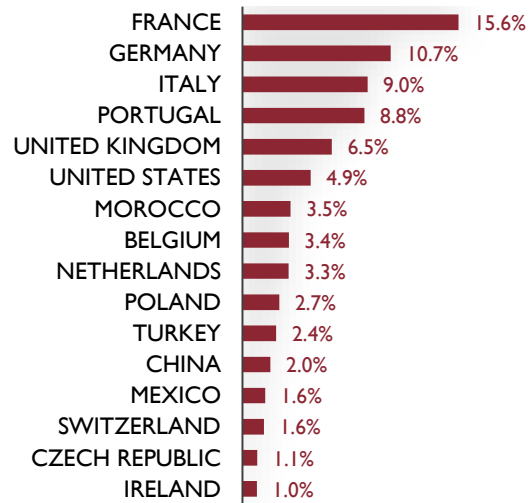


Source: IfW

- The Trump Administration's policy is a disruption to the global economic order and the system of rules established after World War II, with negative implications for trade and global growth
- Early estimates pointed to a very negative effect on US GDP and a more moderate effect on EU GDP.
- Yesterday, it maintained the universal 10% tariff (non-negotiable) and suspended reciprocal tariffs for 90 days, except to China (125%, effective immediately)

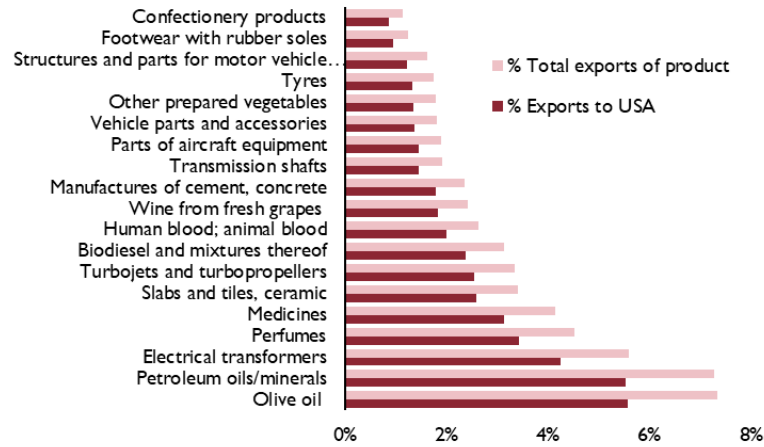
In the case of Spain, direct and indirect exposure to the US market is relatively small

MAIN DESTINATIONS OF SPANISH EXPORTS 2024. (WEIGHT IN TOTAL)

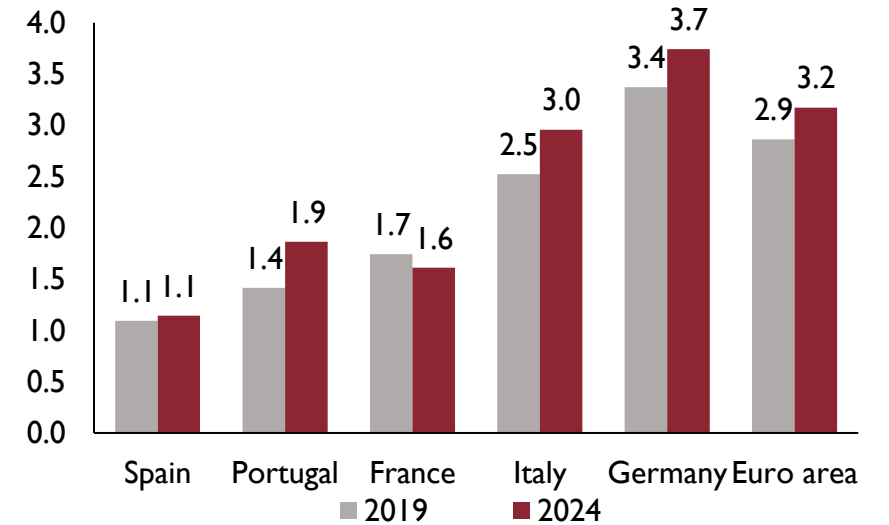


Source: DataComex

MAIN PRODUCTS EXPORTED TO THE USA (WEIGHT IN EXPORTS)



EXPORTS OF GOODS TO THE USA (% OF GDP)

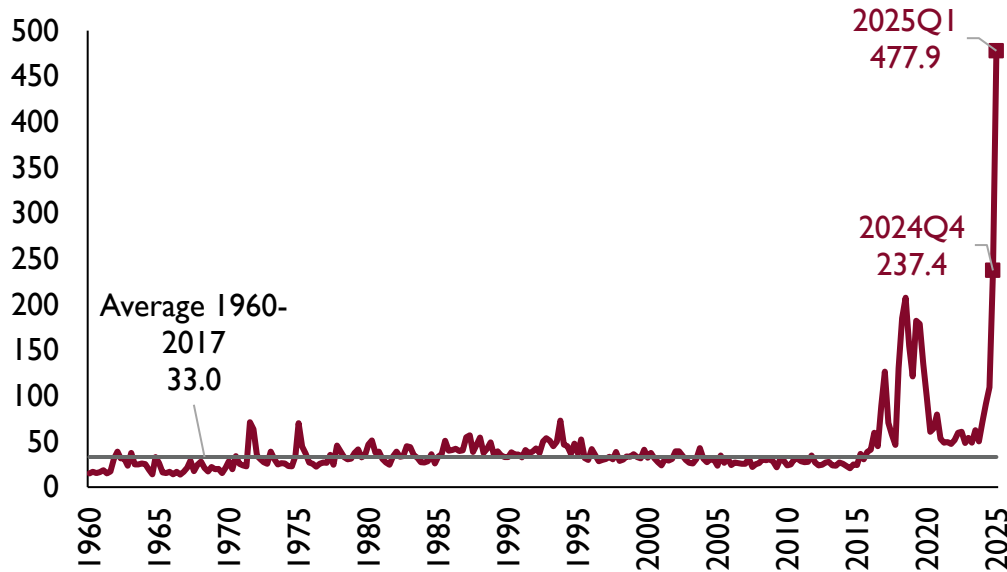


Source: Eurostat

- Direct exposure to the USA is low, but indirect exposure is higher
- Despite this, domestic analysts' estimates pointed to an impact of the tariffs of between 0.2% and 0.3% of GDP

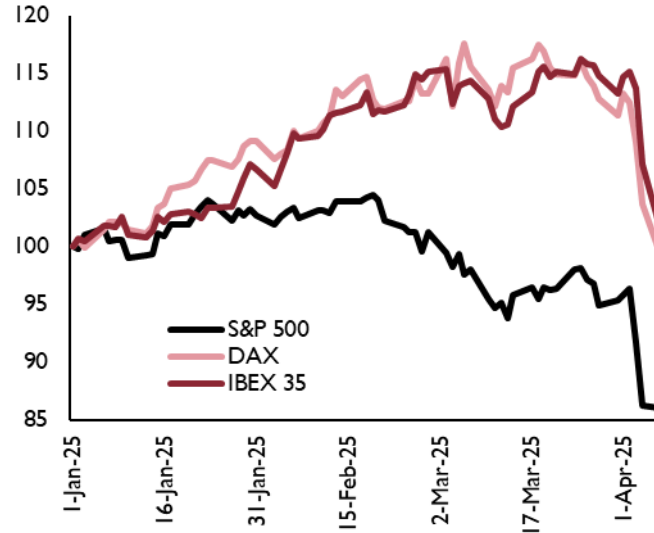
Tariff tensions are accompanied by very high uncertainty

INDICATOR OF TRADE POLICY UNCERTAINTY



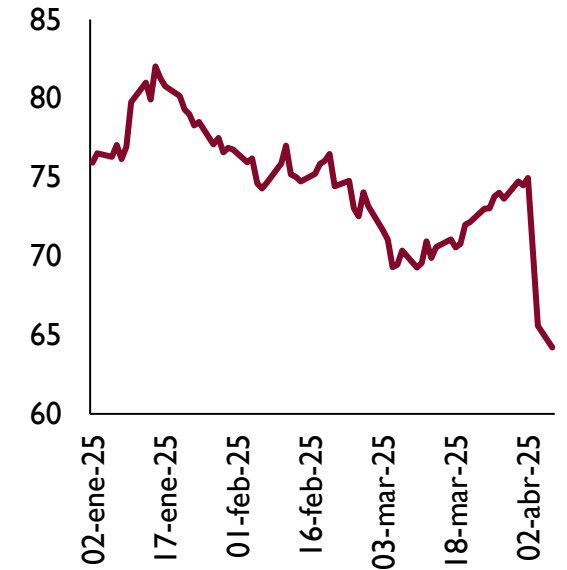
Source: Caldara et al. (2020)

STOCK MARKET INDICES
(1 JANUARY 2025=100)



Source: LSEG

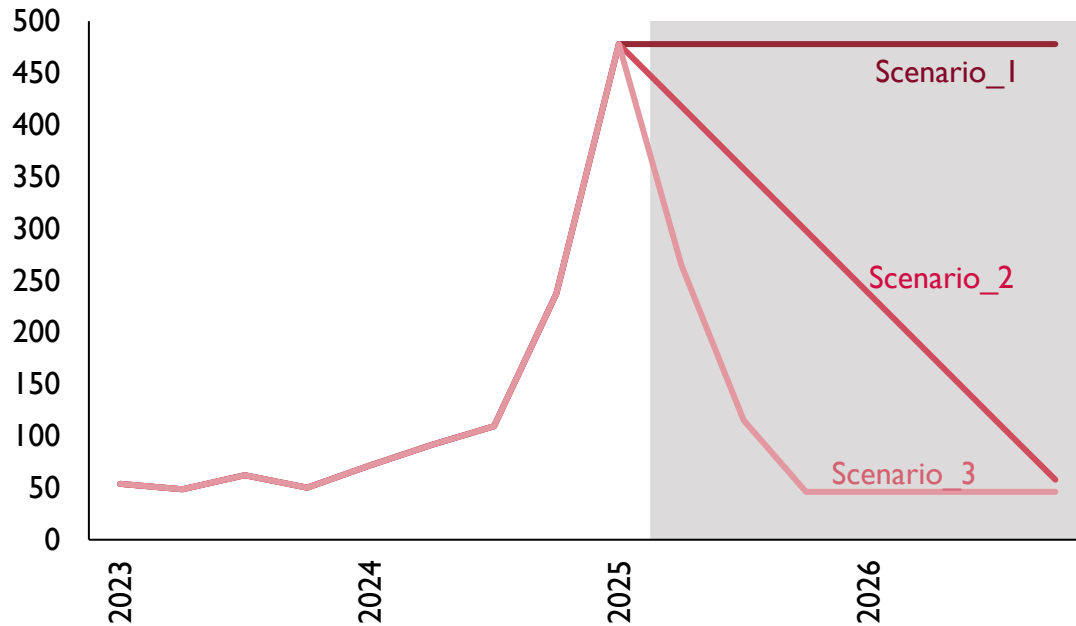
OIL PRICE (\$/BARREL)



Trade policy uncertainty has risen to abnormally high levels, far exceeding those seen in 2018-2019 during the first Trump Administration, creating an unfriendly backdrop for business investment

Uncertainty could have negative effects on economic activity as early as 2025, if not corrected quickly

SCENARIOS OF TRADE POLICY UNCERTAINTY



Source: Caldara et al. (2020) and AIReF

IMPACT ON GDP GROWTH OF SCENARIOS OF TRADE POLICY UNCERTAINTY

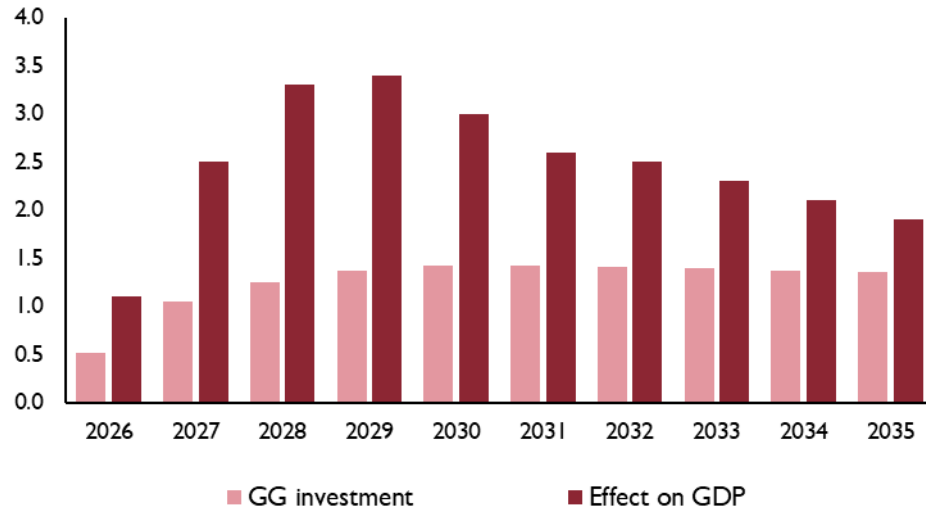
	Scenario 1	Scenario 2	Scenario 3
2025	-0.5%	-0.5%	-0.5%
2026	-0.5%	-0.3%	0.3%

Source: AIReF

After yesterday's decisions, there is a lot of uncertainty about the reconfiguration of value chains. European products become cheaper in relation to Chinese products in the US market, so all the effects will have to be assessed together

What factors could offset this scenario?

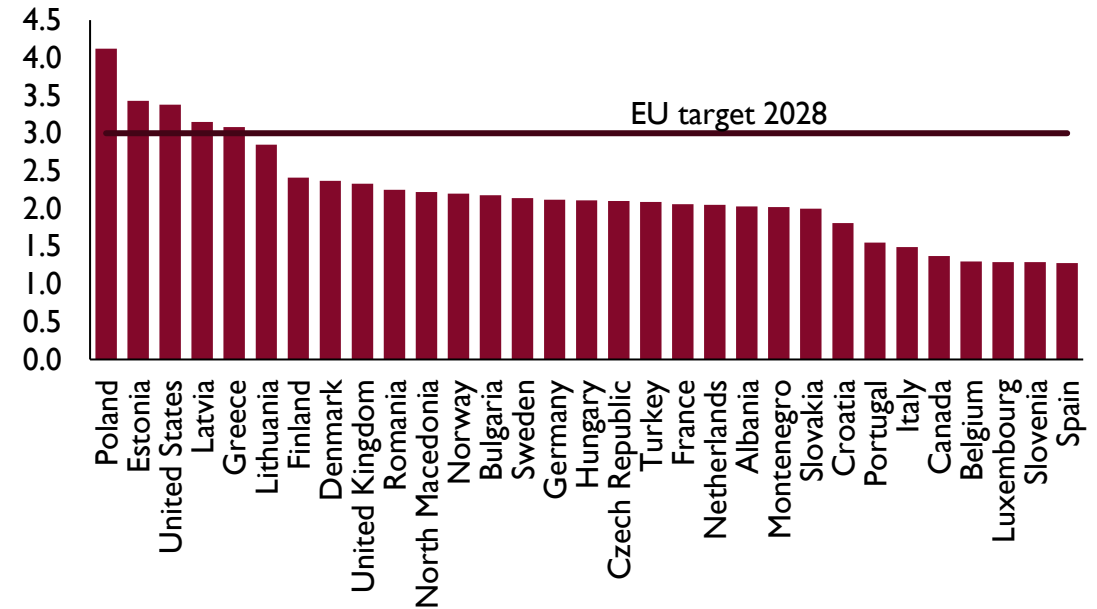
EFFECTS ON GERMANY'S GDP OF THE INFRASTRUCTURE INVESTMENT VEHICLE
(DEVIATION OF GDP COMPARED WITH A SCENARIO WITHOUT MEASURES, %)



Source: DIW

In Germany, there has been a historic shift in fiscal policy reflected in an ambitious investment programme, accompanied by an easing of the debt brake that could have an indirect impact on Spain, but its effects are not expected until 2026

DEFENCE EXPENDITURE IN 2024
(% OF GDP IN 2015 PRICES AND EXCHANGE RATES)



Source: NATO

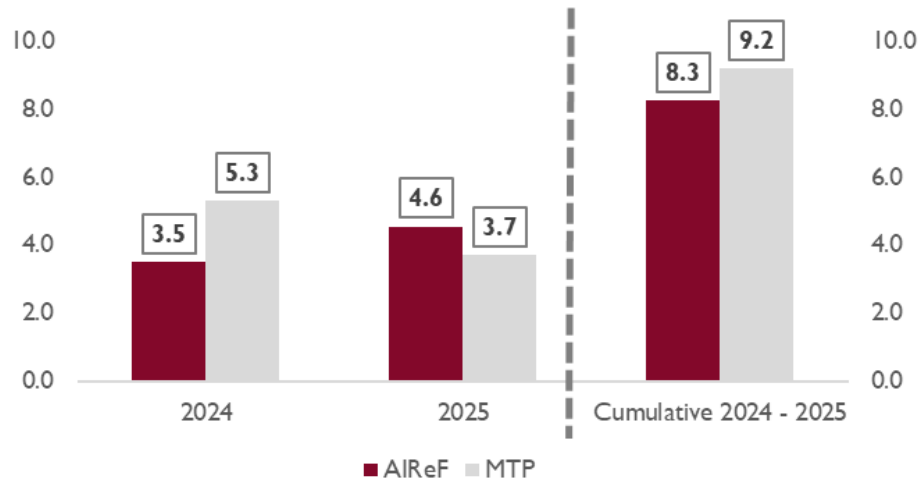
Increased defence expenditure in Europe and Spain will also have a positive impact on GDP growth, most likely in 2026

2

Fiscal scenario

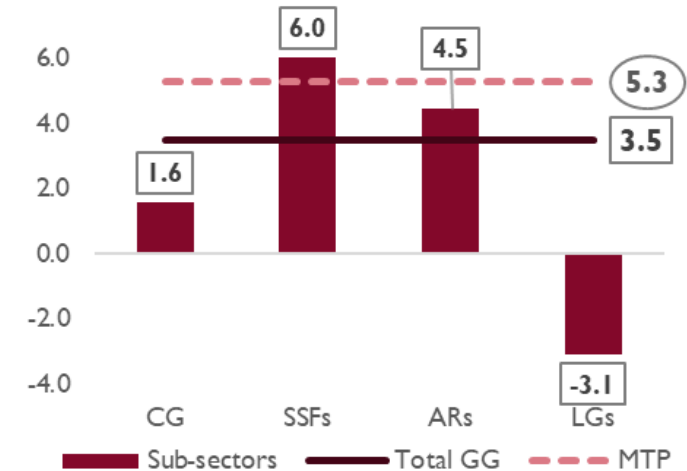
AIReF estimates 4.6% growth in primary expenditure net of revenue measures in 2025, compared with 3.7% committed to in MTP

NET EXPENDITURE GROWTH. TOTAL GG (% CHANGE)

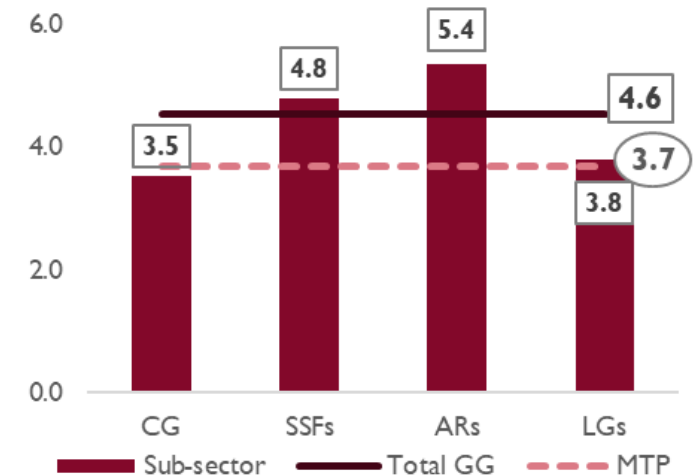


2024

NET EXPENDITURE GROWTH. SUB-SECTORS (% CHANGE)



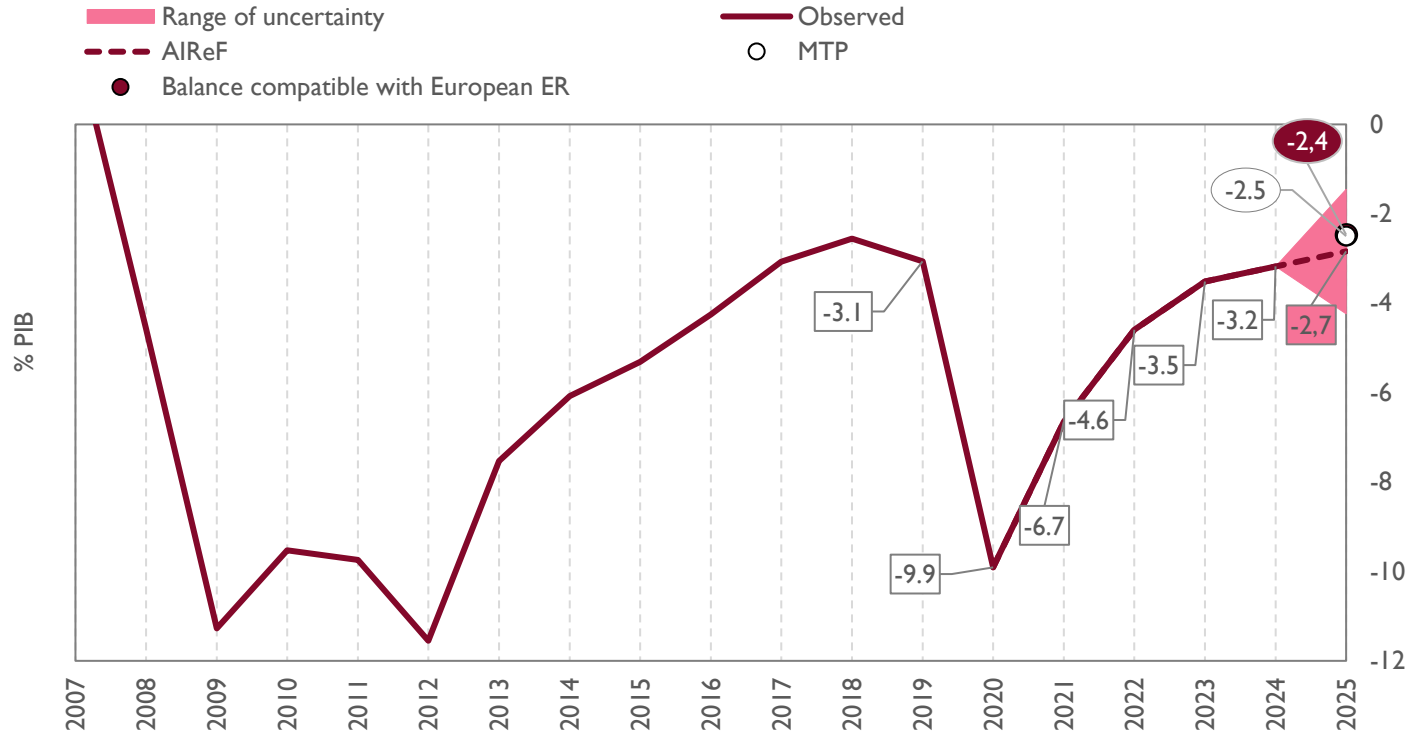
2025



- The **deviation** in 2025 from the MTP is **0.3% of GDP**, the annual limit of the control account
- The year-end **2024** figure, estimated at **3.5% compared with the 5.3% of the MTP**, would generate a margin for subsequent years
- In cumulative terms, **growth will be 8.3% until 2025**, below the MTP commitment.
- By sub-sector:
 - In 2024, only the SSFs would be above the reference rate, offset by the rest of the sub-sectors
 - In 2025, only the CG would be below 3.7%

GG deficit for 2025 will stand at 2.7% of GDP, 2.4% excluding effect of DANA flooding

EVOLUTION OF GG BALANCE (% GDP)



- The 2024 year-end figure was 0.2 points lower than AIReF's estimate, excluding the effect of the DANA
- For 2025, AIReF's forecast excluding the DANA, 2.4% of GDP, is 0.1 points lower than the MTP

EUROPEAN FISCAL FRAMEWORK

If the European expenditure rule were to be met in 2025, growth in primary expenditure net of revenue measures of 3.7%

Headline deficit of 2.4% of GDP, 2.1% without the DANA

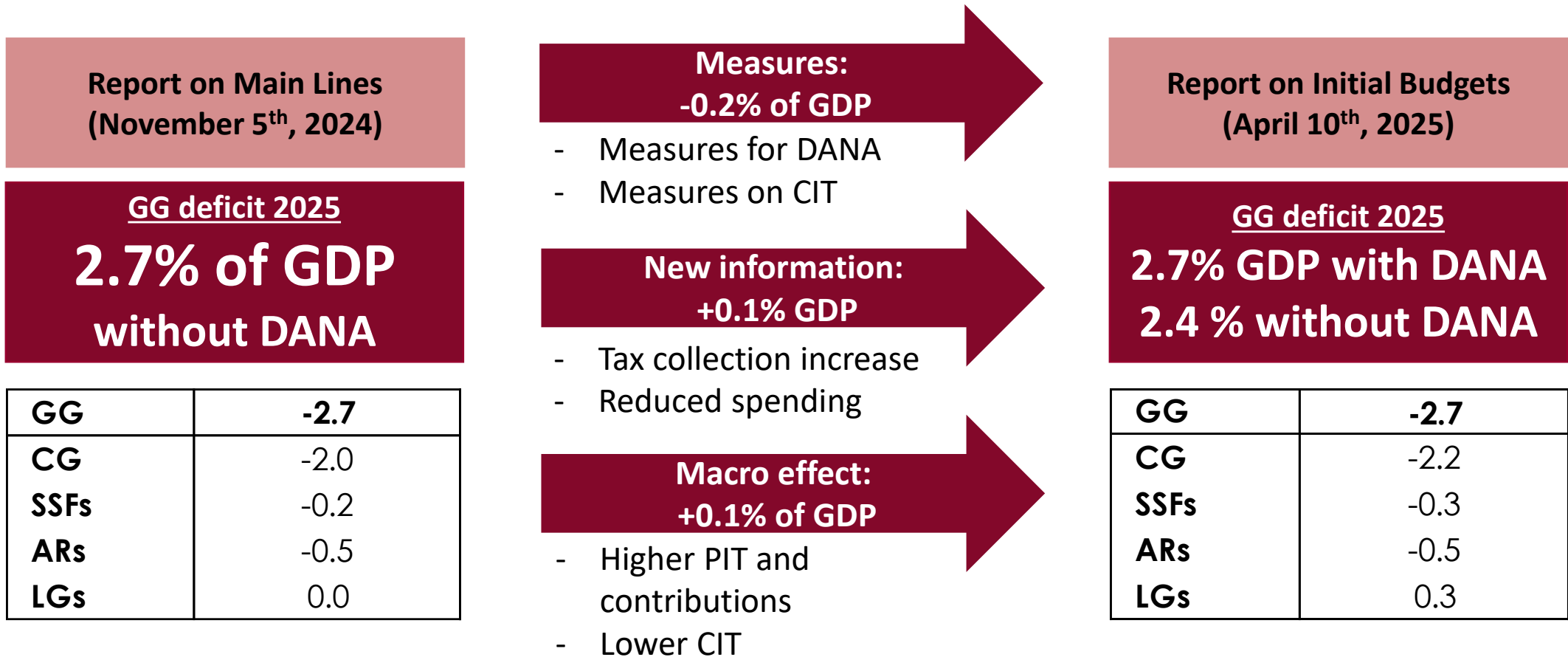
NATIONAL FISCAL FRAMEWORK

If the national expenditure rule were to be met in 2025, growth in eligible expenditure of 3.2% for CG, ARs and LGs

The European expenditure rule would be met in 2025 with growth in primary expenditure net of revenue measures of 3.5%

Headline deficit of 2.3% of GDP, 2% without the DANA

AIReF maintains its deficit estimate with respect to previous report, although it incorporates impact of DANA



Excluding the impact of the DANA, AIReF revises the deficit downwards by 0.3 points

Measures raise the deficit by 0.2 points in 2025 compared with previous estimate

1

MEASURES FOR THE DANA

- **The Government has approved a package of measures to alleviate the effects of the DANA** in RDL 6/2024, RDL 7/2024 and RDL 8/2024
- The Regional Government of Valencia has included measures in its draft budget
- Total impact of 0.7 points of GDP, 0.4 in 2024 and 0.3 in 2025

2

PRICE AND ENERGY CRISIS MEASURES

- Measures to alleviate the energy crisis maintain **an impact of an increase in the deficit of 0.1 points** in 2025
- **Revenue measures in 2025 are repealed**, except for VAT on olive oil, which is permanent
- **Transport support partially** maintained in 2025

3

OTHER TAX REVENUE MEASURES

- The other tax measures offset each other:
 - Corporate Income Tax
 - Complementary tax to ensure an overall minimum level of taxation
 - Tax on net interest income and commissions replacing the tax on credit institutions
 - Repeal of the energy tax

4

LATEST MEASURES ANNOUNCED

- Financial measures worth more than 7bn in RDL 4/2025 in response to the tariff threat and to relaunch trade structured around three pillars
 - Promoting productive investment
 - Provision of liquidity to companies
 - Boosting export activity
- Limited impact on the deficit due to the estimated amount of defaults

New information and macro effect reduce deficit by 0.1 points of GDP each

New information +0.1% of GDP

Revenue growth neutral

Evolution of tax collection in the last few months of 2024 and first few months of 2025:

- Higher income taxes (+0.2)
- Lower taxes on products (-0.1)
- Lower contributions (-0.1)

Lower expenditure (-0.1% of GDP)

Year-end 2024 with lower expenditure:

- Lower intermediate consumption, investment and subsidies
- Increased cash benefits

Macroeconomic impact +0.1% of GDP

Increased tax collection: PIT and social contributions due to higher compensation of employees and reduced CIT collection due to the GOS

0.5% reduction in deficit between 2024 and 2025 is due to a number of factors

Revenue measures:

- MEI
- Maximum contribution bases
- Solidarity contribution
- CIT
- Energy tax

One-off operations

Reduced cost of court rulings

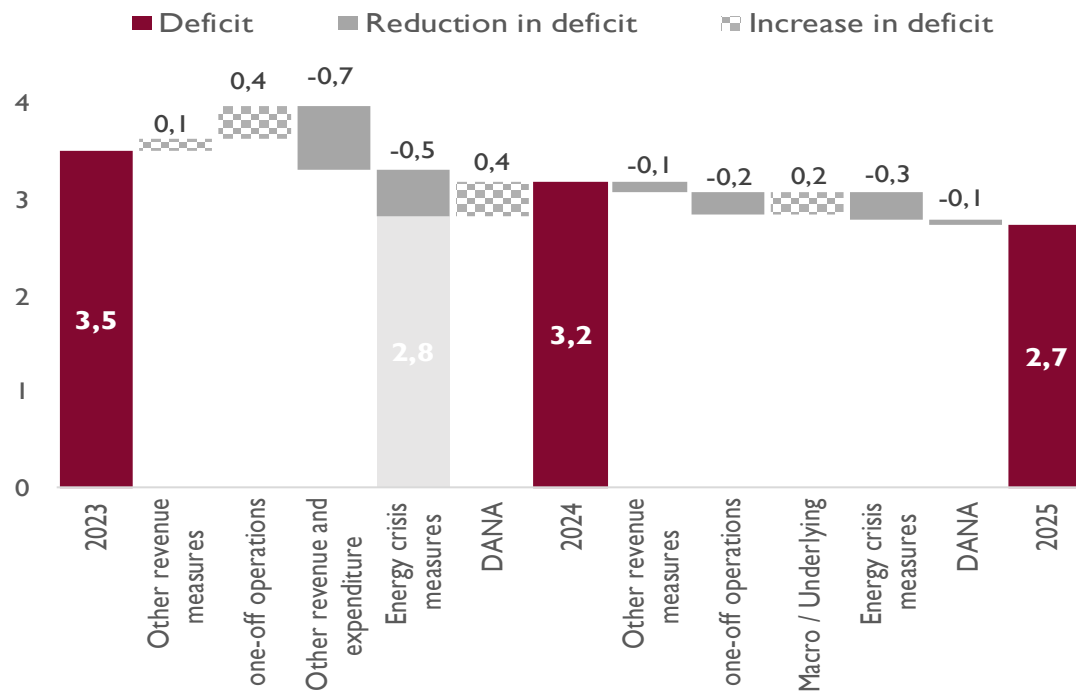
Evolution of other revenue and expenditure

Price and energy crisis measures:

Repeal of almost all revenue measures

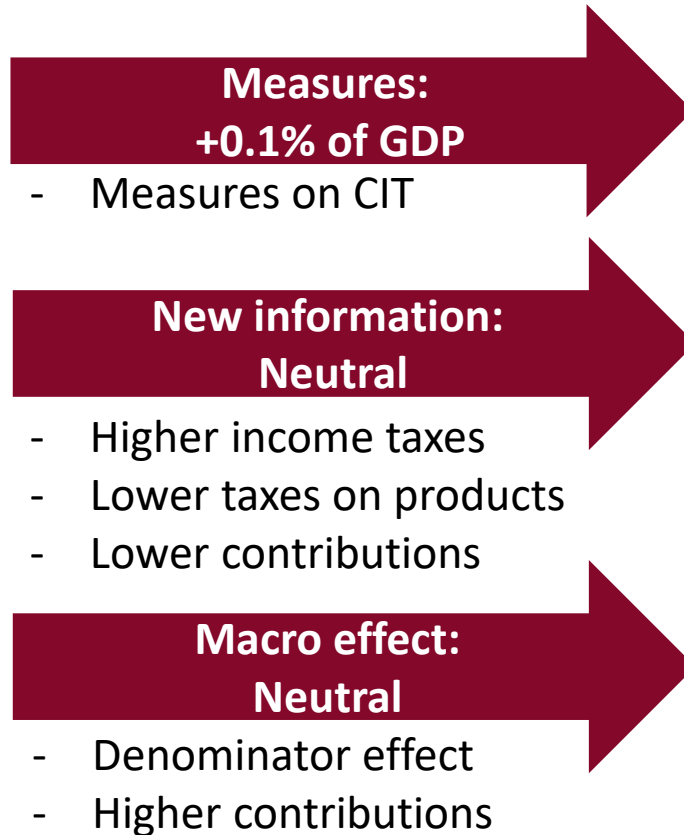
DANA measures

- Slight reduction in cost of DANA measures



Non-RTRP revenue will grow by 5.1% in 2025, to stand at 41.6% of GDP, 42.4% including RTRP revenue

	2025 Main Lines
REVENUE	41.5
TAXES	24.1
<i>On production</i>	11.1
<i>On income</i>	12.6
<i>Capital</i>	0.4
CONTRIBUTIONS:	13.4
Other revenue	4.0

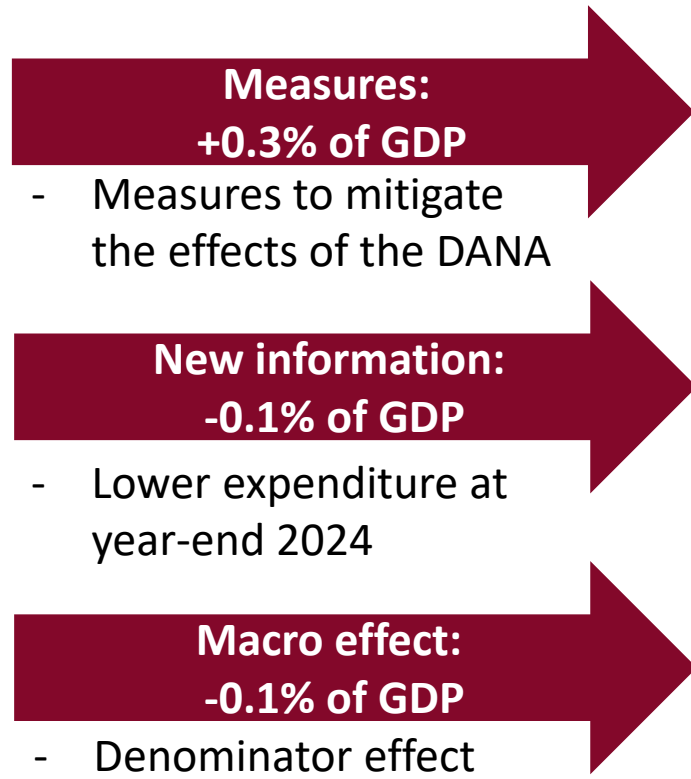


	2025 Current
REVENUE	41.6
TAXES	24.2
<i>On production</i>	11.1
<i>On income</i>	12.8
<i>Capital</i>	0.3
CONTRIBUTIONS:	13.4
Other revenue	4.0

- Both the new information and the macro effect are affected by offsetting effects, with the total impact being zero
- CIT measures increase revenue by 0.1%

Expenditure in 2025, excluding RTRP, will stand at 44.3% of GDP, with growth of 4.2%

	2025 Rep. Main Lines
EXPENDITURE	44.2
Compensation of employees	10.7
Intermediate consumption	5.5
Social transfers in kind via market	2.6
Social benefits in cash	16.8
Interest	2.5
Gross capital formation	2.6
Subsidies and other expenditure	3.3



	2025 Current
EXPENDITURE	44.3
Compensation of employees	10.7
Intermediate consumption	5.5
Social transfers in kind via market	2.7
Social benefits in cash	17.0
Interest	2.5
Gross capital formation	2.5
Subsidies and other expenditure	3.4
NET LENDING/BORROWING	-2.7

The denominator effect of higher GDP and lower expenditure at year-end 2024 almost offsets the increase in the deficit due to measures to mitigate the DANA

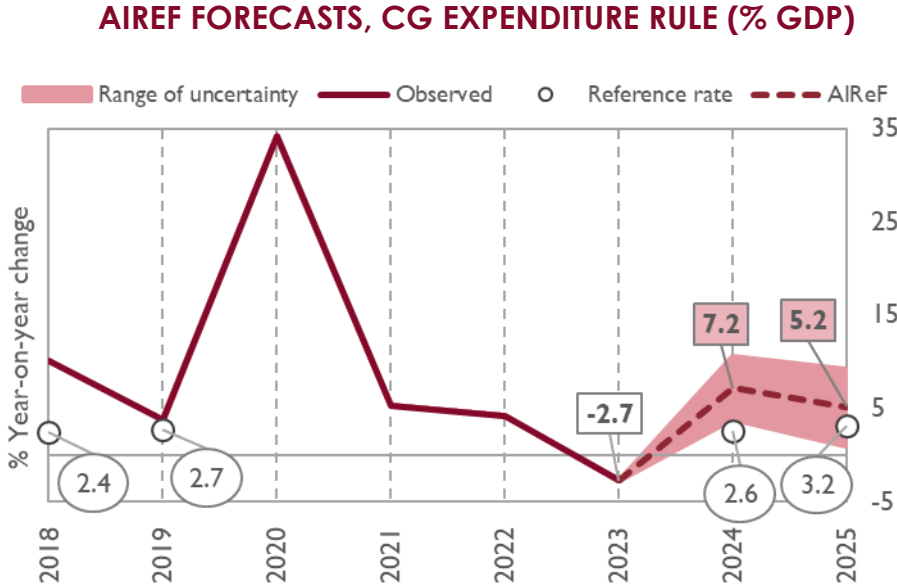
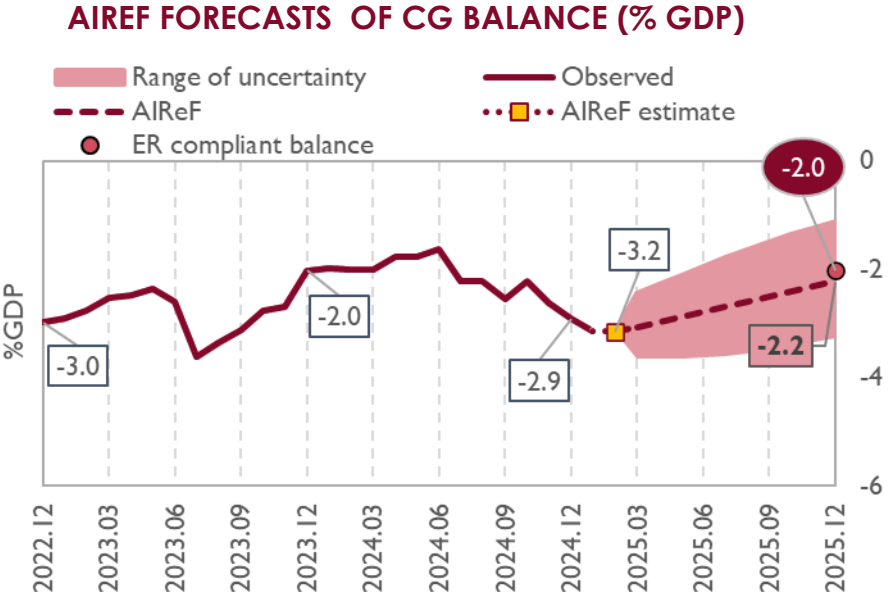
Increase in CG and SSF deficits is offset by the improved forecast for Local Governments

DIFFERENCE IN THE BALANCE BY SUB-SECTOR OF AIREF'S SCENARIOS (% GDP)

	2025		Difference
	Rep. Main Lines	Current	
GG	-2.7	-2.7	0.0
CG	-2.0	-2.2	-0.2
SSFs	-0.2	-0.3	-0.1
ARs	-0.5	-0.5	0.0
LGs	0.0	0.3	0.3

- The CG worsens its balance in 2025 mainly due to the cost of measures to mitigate the DANA
- The deficit of the SSFs worsens by 0.1% due to the new information on cash benefits
- The estimate for the deficit of the ARs remains the same despite the impact of the DANA
- LGs improve their balance, with an estimated surplus of 0.3 points in 2025 as a result of the year-end 2024 data, with lower than expected expenditure

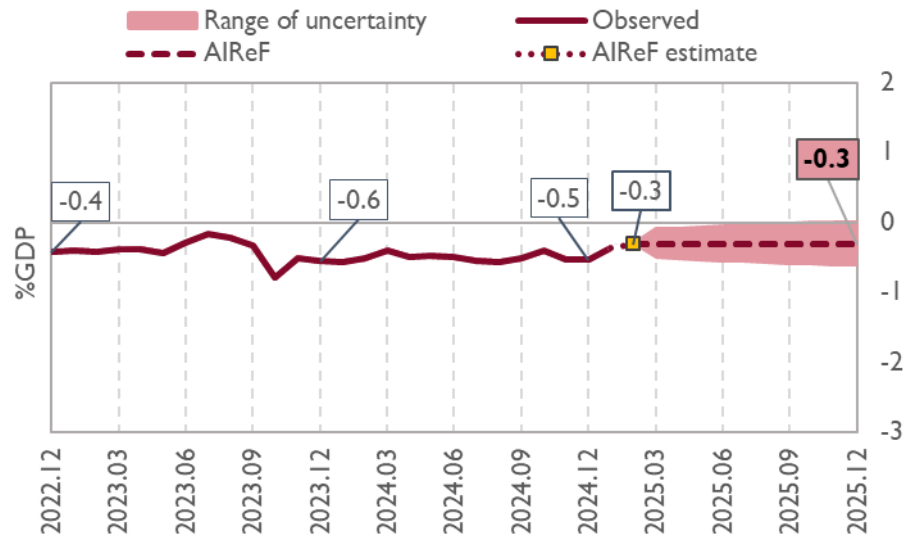
CG will close 2025 with a deficit of 2.2%, somewhat higher than estimated in previous report due to DANA



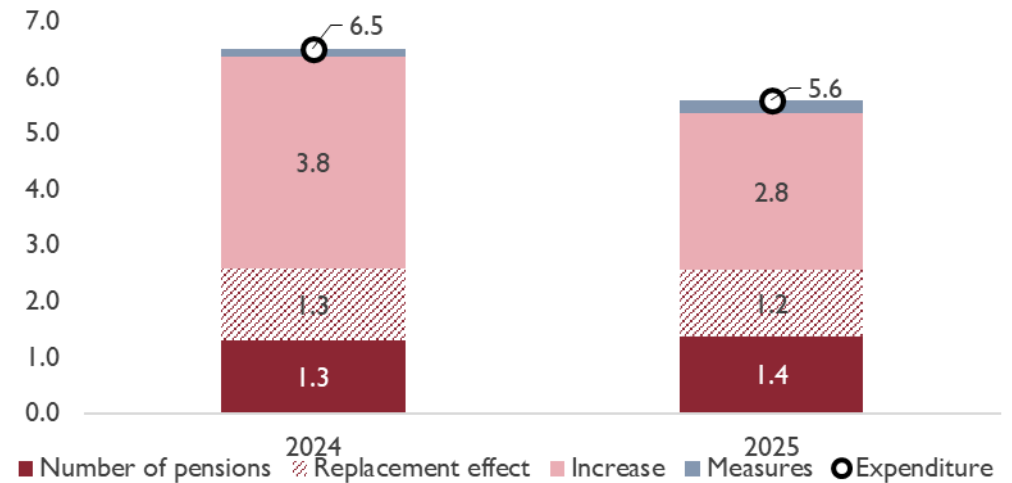
- Excluding the impact of the DANA, the CG deficit would be 2% of GDP
- The CG would breach the national expenditure rule with growth in eligible expenditure of 5.2% in 2025, 2 points above the reference rate of 3.2%
- Compliance with the national expenditure rule would reduce the deficit to 2% of GDP

AIReF raises its deficit estimate of Social Security Funds by 0.1 points to 0.3% of GDP

AIREF FORECASTS OF SSFS BALANCE (% GDP)



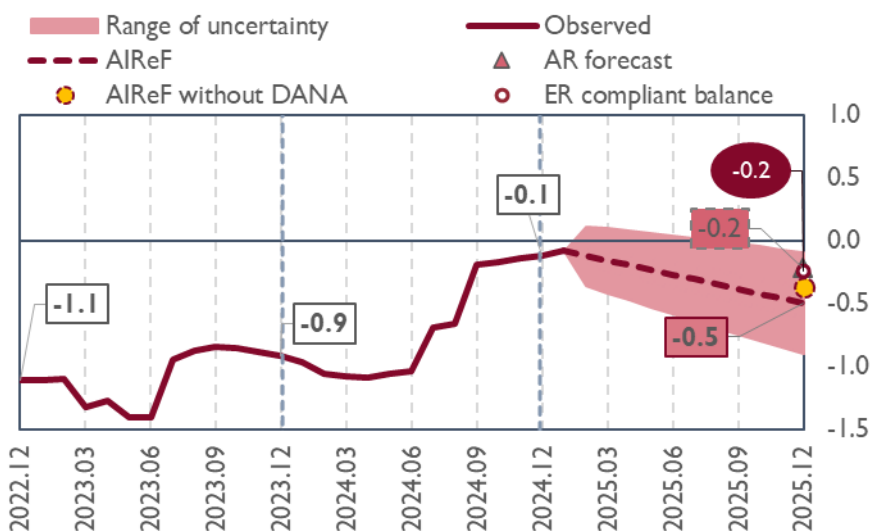
GROWTH IN PENSION EXPENDITURE (% CHANGE)



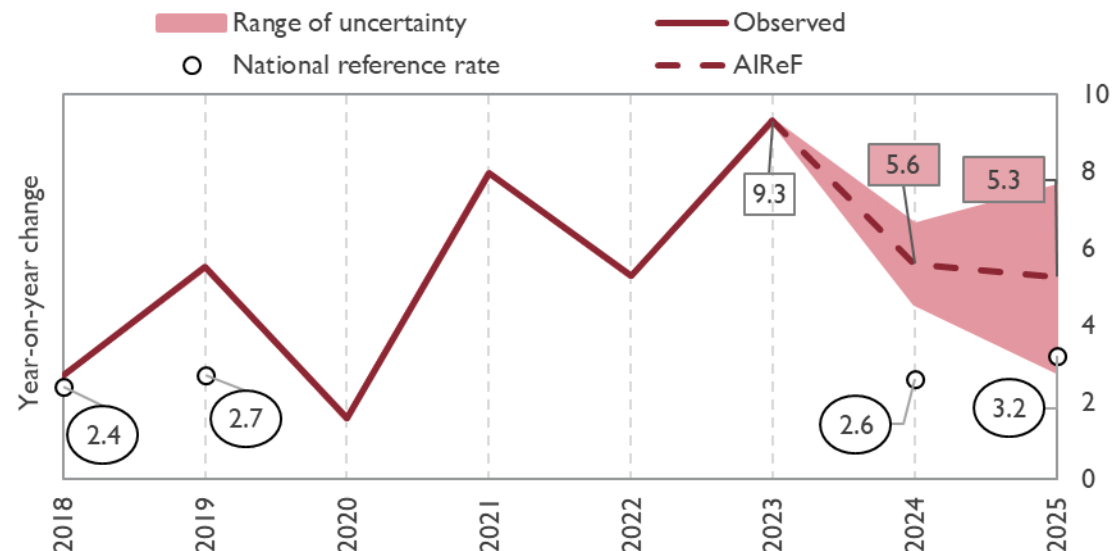
- AIReF increases its deficit estimate for the SSFs for 2025 due to new information received on the evolution of cash benefits
- This increased expenditure is partially offset by a positive macro effect on social contributions

The Autonomous Regions' deficit will rise to 0.5% of GDP in 2025

AIREF FORECASTS OF AR BALANCE (% GDP)



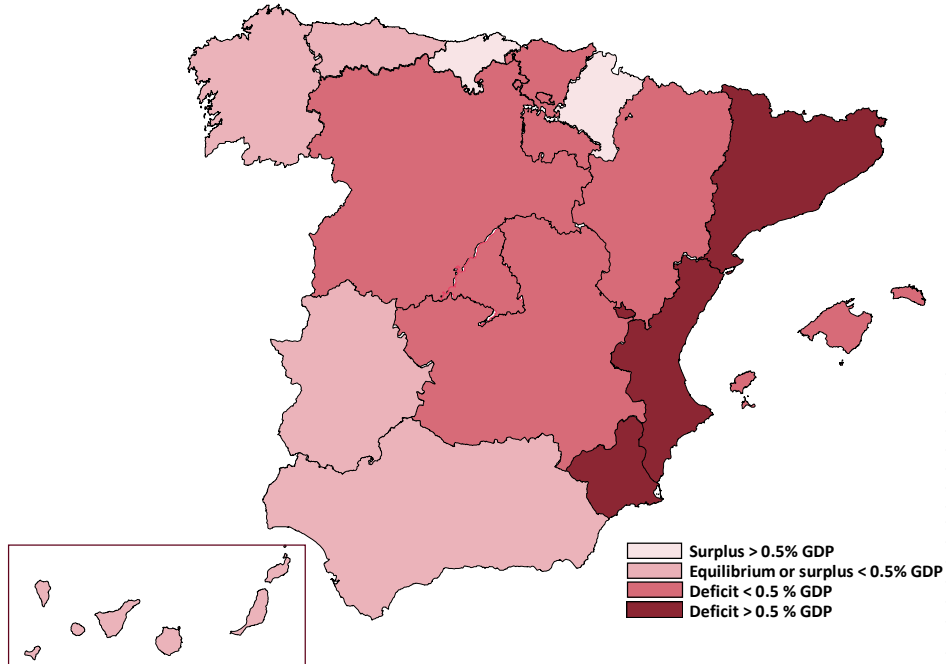
AIREF FORECASTS, EXPENDITURE RULE (% GDP)



- Excluding the impact of the DANA, the deficit will be 0.4% in 2025
- The deterioration of the deficit in 2025 is explained by the fall in revenue from the settlement of the regional financing system, which, following the extraordinary increase in 2024, returns to its usual levels
- The eligible expenditure of the ARs for the purposes of the national expenditure rule will grow by 5.3% in 2025, 2.1 percentage points above the limit of 3.2%
- Compliance with the expenditure rule in 2025 would improve the deficit by 0.3 points to 0.2% of GDP, 0.1% without DANA measures

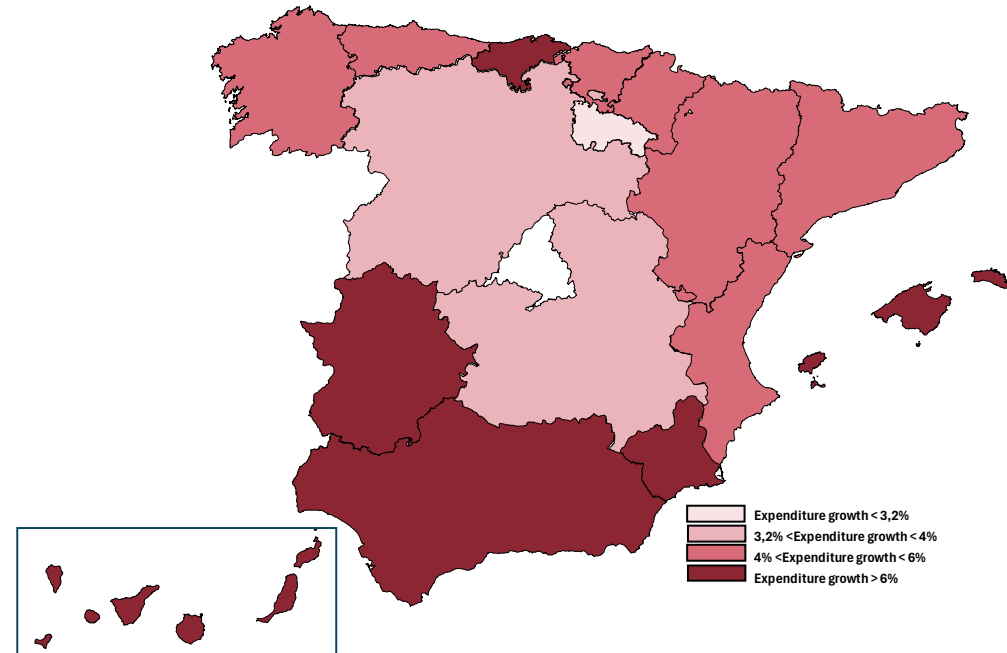
There is a risk of non-compliance with expenditure rule in most Autonomous Regions

AIREF FORECASTS OF AR BALANCE (% GDP)



11 ARs will close with surpluses, balanced budgets or close to balance deficits

AIREF FORECASTS OF AR EXPENDITURE RULE 2025 (% CHANGE)

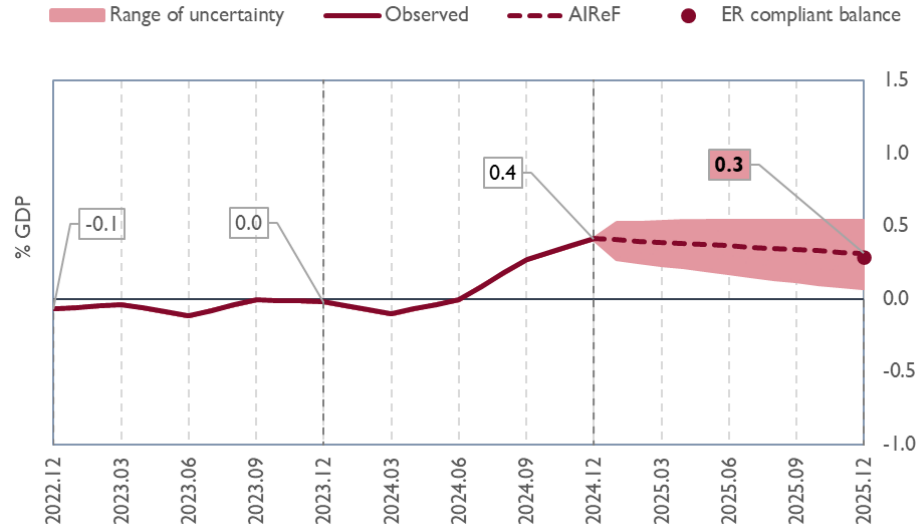


Only in three ARs will growth in eligible expenditure for the purposes of the national expenditure rule be less than 4%
In the other ARs, the estimated change in eligible expenditure ranges from 4.2% to 9.1%

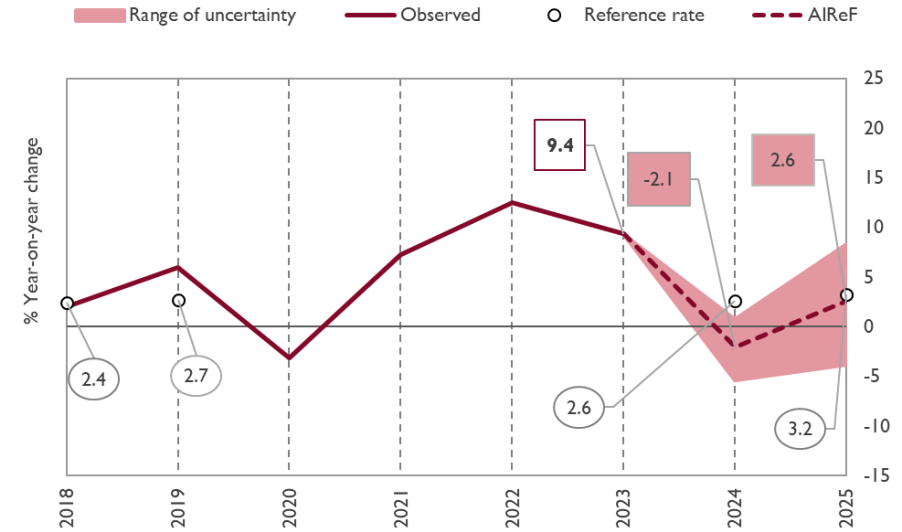
AIREF also publishes the individual reports of the ARs today and updates the [Autonomous Regions Monitor Tool](#)

LGs will close 2025 with a surplus of 0.3% of GDP, improving the forecast of the previous report by 0.3%

AIREF FORECASTS OF LG BALANCE (% GDP)



AIREF FORECASTS, LG EXPENDITURE RULES (% GDP)





- AIREF forecasts for LG growth in eligible expenditure for the purposes of the national expenditure rule of 2.6%, below the reference rate established at 3.2%
- This improvement in the surplus is mainly explained by a lower execution of expenditure, mainly in gross capital formation, thus reducing the level of this item for 2024 and transferring the improvement in the surplus to the projections

All large LGs analysed in this report will close 2025 with a surplus, with the exception of Vitoria City Council

LOCAL GOVERNMENTS	EVOLUTION OF THE SITUATION IN THE PERIOD OF SUSPENSION OF FISCAL RULES (2020-2023)					LOCAL GOVERNMENTS PROVISIONAL 2024		AIReF FORECASTS 2025		
	Budgetary stability				Eligible expenditure Average annual growth 2020-2023	Stability	Eligible expenditure	Stability	Eligible expenditure	Debt ratio
	2020	2021	2022	2023						
MADRID	+	+	-	+	9.2%	+	0.1%	+	1.7%	35%
BARCELONA	-	-	-	+	9.6%	+	-1.1%	+	2.2%	35%
VALENCIA	+	+	+	+	8.6%	+	8.3%	+	-1.6%	12%
SEVILLA	-	+	+	+	3.9%	+	1.6%	+	3.2%	24%
ZARAGOZA	-	+	+	+	7.5%	+	-0.8%	+	3.1%	60%
MÁLAGA	+	+	+	+	7.4%	+	0.6%	+	3.1%	39%
MURCIA	+	+	-	-	6.6%	+	-8.8%	+	6.8%	58%
PALMA	+	+	+	+	6.8%	+	0.9%	+	16.5%	39%
LAS PALMAS DE GRAN CANARIA	+	+	-	+	5.0%	+	3.0%	+	8.0%	1%
ALICANTE	+	+	+	+	9.1%	+	-1.5%	+	-0.1%	10%
BILBAO	-	+	+	-	3.4%	+	2.6%	+	-1.3%	5%
CÓRDOBA	+	-	+	-	12.4%	+	-2.7%	+	0.6%	36%
VALLADOLID	-	+	-	-	8.8%	+	-4.6%	+	3.2%	41%
VIGO	+	+	+	+	5.4%	+	-0.6%	+	0.8%	0%

LOCAL GOVERNMENTS	EVOLUTION OF THE SITUATION IN THE PERIOD OF SUSPENSION OF FISCAL RULES (2020-2023)					LOCAL GOVERNMENTS PROVISIONAL 2024		AIReF FORECASTS 2025		
	Budgetary stability				Eligible expenditure Average annual growth 2020-2023	Stability	Eligible expenditure	Stability	Eligible expenditure	Debt ratio
	2020	2021	2022	2023						
L'HOSPITALET DE LLOBREGAT	-	+	+	+	2.7%	+	2.5%	+	2.9%	23%
GIJÓN / XIXÓN	-	-	-	+	5.2%	+	2.6%	+	2.2%	28%
VITORIA-GASTEIZ (*) DIP.	-	+	+	-	2.7%	-	n.d	-	-2.6%	21%
BARCELONA DIP. VALENCIA	+	+	+	+	7.0%	-	16.5%	+	-1.9%	0%
DIP. SEVILLA	+	-	-	+	13.7%	+	0.3%	+	9.3%	12%
DIP. SEVILLA	+	-	-	+	18.7%	+	73.2%	+	-18.9%	1%
CABILDO INSULAR DE TENERIFE	+	+	-	+	27.8%	+	18.3%	+	-4.5%	18%
CONSEJO INSULAR DE MALLORCA	+	+	+	+	18.2%	+	0.7%	+	3.2%	15%
DIPUTACIÓN FORAL DE ARABA/ÁLAVA	-	+	-	-	n.d	n.d	n.d	+	n.d	n.d
DIPUTACIÓN FORAL DE GIPUZKOA	-	+	+	+	9.7%	+	1.4%	+	3.1%	23%
DIPUTACIÓN FORAL DE BIZKAIA	-	+	+	-	10.8%	-	-6.9%	+	-0.3%	71%

+ Surplus or forecast surplus
 - Deficit or forecast deficit
 (*) In the data of the Vitoria-Gasteiz City Council, both in stability and in spending rules, the adjustment made by the entity to eliminate the impact on the fiscal rules of spending financed with surpluses from previous years has not been taken into account.
 Worsens: from surplus in Report on Main Budgetary Lines 2025 to deficit
 Improves: from deficit in Report on Main Budgetary Lines 2024 to surplus

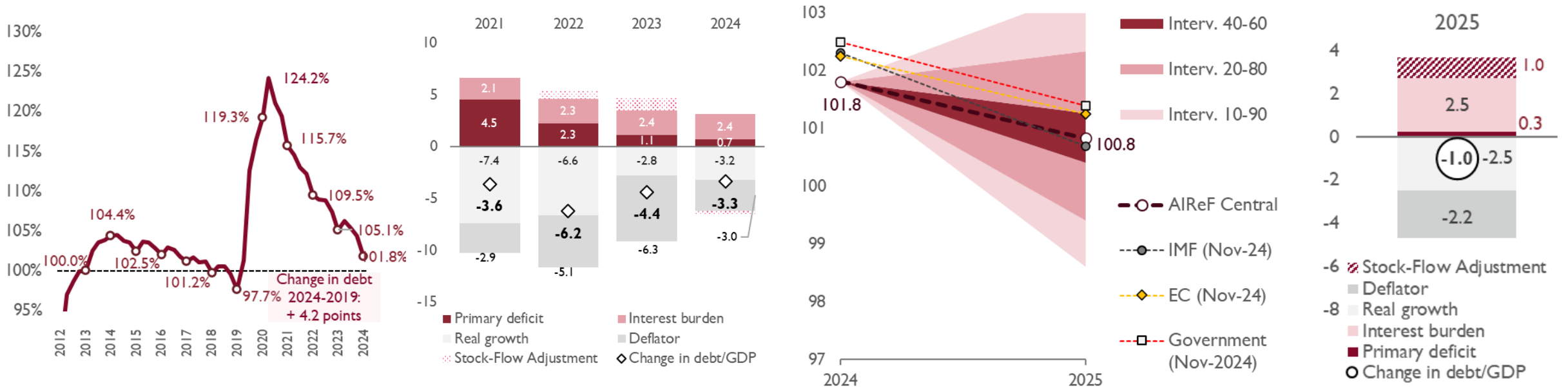
- The large LGs as a whole will record growth in eligible expenditure of close to 1% for 2025, below the approved rate for the year of 3.2%
- There is a risk of non-compliance with the expenditure rule in the City Councils of Murcia, Palma, Las Palmas de Gran Canaria and Valencia Provincial Council.
- Only Vitoria-Gasteiz City Council is expected to record a deficit

AIReF's macro-fiscal forecasts project a decline in debt ratio by 1 percentage point of GDP to 100.8% year-end 2025

The Spanish debt-to-GDP ratio stood at 101.8% at the end of 2024, **down 3.3 points on the year** and up 4.2 points from the pre-pandemic level

Although the public deficit will continue to contribute to the increase in debt, its impact will be more moderate than in previous years
The contribution of economic growth to the reduction in the debt ratio will be lower this year, which, together with the expected increase in the infrastructure stock-flow adjustment derived from European loans, will result in a **slowdown in the rate of reduction of the ratio**

DEBT (% GDP). QUARTERLY EVOLUTION, FORECAST FOR 2025 AND CONTRIBUTIONS TO THE CHANGE.



Source: Bank of Spain, INE and AIReF

Recommendations set out in the Report on Initial Budgets

Monitoring of budgetary execution and compliance with the expenditure rule

- Establish the necessary coordination mechanisms to guarantee compliance with the national and European expenditure rule by all GG sub-sectors
- Publish monthly figures on primary expenditure net of revenue measures for the purposes of the European expenditure rule and recover the monthly publication of eligible expenditure for the national expenditure rule

Formalisation of an agreement or MoU for the provision of information

- The provision should be regular and at a pre-agreed level of breakdown of information, including on military payments, court rulings and other contingent liabilities, as well as on the implementation of the Recovery, Transformation and Resilience Plan



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