

MONTHLY STABILITY TARGET MONITORING 2025

DECEMBER

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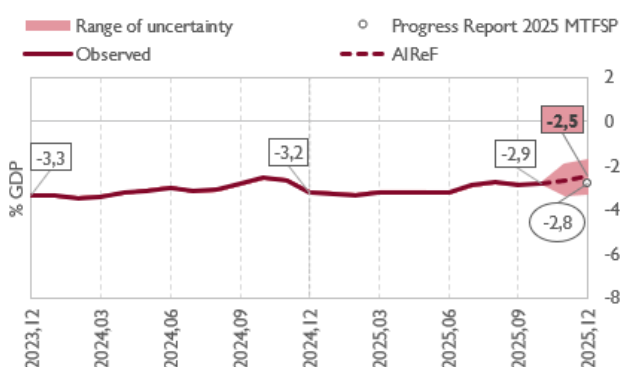


General Government

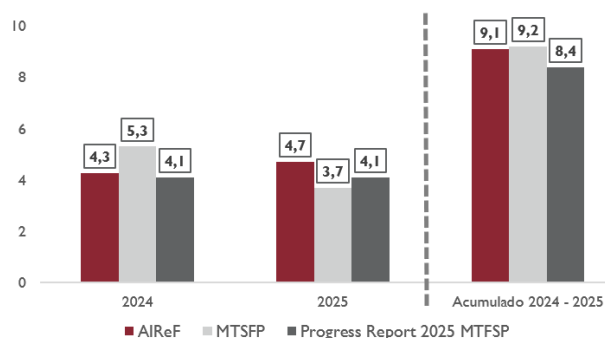
AIReF maintains its estimate of the deficit for 2025 for the GG sector at 2.5% of the GDP indicated in the [Report on the draft budgets and main budgetary lines of the General Government for 2026](#). The estimates include the fiscal impact of the measures approved to mitigate the effects of the Isolated Depression at High Levels (DANA). Stripping out this impact, the GG deficit forecast would stand at 2.2%, 0.3 points below the Government's estimates. This factsheet includes the macroeconomic outlook of the last published report and incorporates all the information received since then.

- 1** The deficit forecast for 2025 stands at 2.5% of GDP. Stripping out the expenditure associated with the DANA, the deficit falls to 2.2% of GDP. According to AIReF's revenue estimates, the deficit should not exceed 2.3% of GDP in order to remain compatible with achieving the 3.7% rate set by the European expenditure rule for 2025.
- 2** With regard to the European expenditure rule, AIReF forecasts that eligible expenditure net of revenue measures will grow by 4.6% in 2025, exceeding the 3.7% set out in the MTP. In cumulative terms, growth remains within the 9.2% set out in the Medium Term Fiscal and Structural Plan.

Evolution of GG deficit (% GDP)

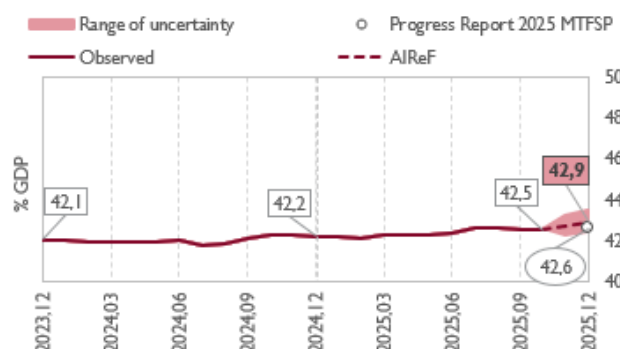


Evolution of eligible expenditure under the expenditure rule – GG (% change)

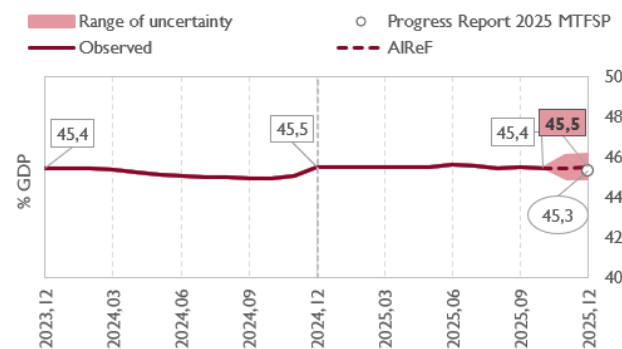


- 3** The revenue observed up to October, in 12-month cumulative terms, shows an improvement of 0.3 points of GDP compared with the 2024 year-end figure. AIReF expects this percentage of GDP to increase by a further 0.4 points over the remainder of this year, to reach 42.9%, including the Recovery, Transformation and Resilience Plan (RTRP).
- 4** Until October, annualised expenditure decreased by 0.1 point compared with the 2024 year-end figure. AIReF expects this 0.1 point to recover in the remainder of the year, ending 2025 at the same level as in 2024, 45.5%, including the RTRP.

GG revenue (% GDP)



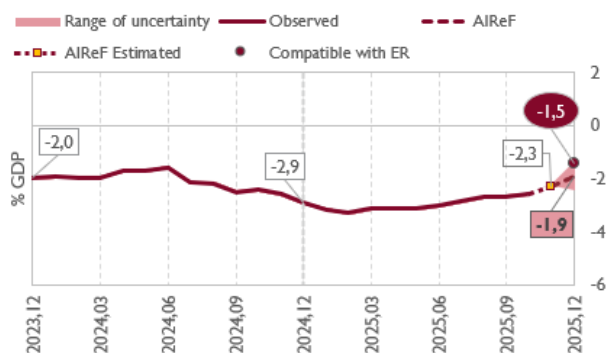
GG expenditure (% GDP)



Central Government

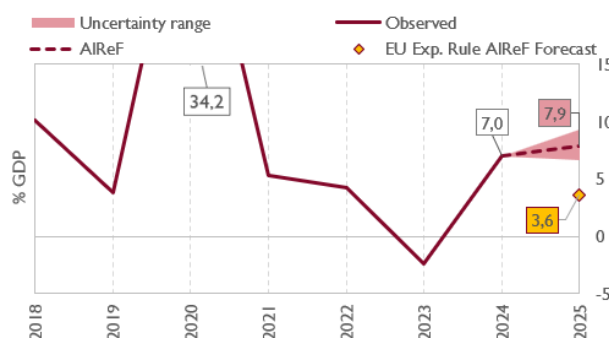
1 AIReF expects a Central Government deficit of 2% of GDP in 2025, thanks to a buoyant revenue performance and the slowdown in expenditure expected over the last few months of the year. According to AIReF's best revenue estimate, the deficit compatible with meeting the national expenditure rule for the CG would be 1.5% of GDP.

Evolution of CG deficit (% GDP)



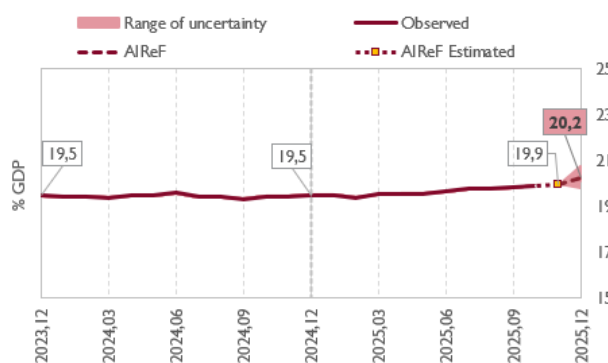
2 With regard to the national expenditure rule, AIReF expects to see an increase of 7.9% for CG, which would breach the 3.2% reference rate. With respect to the European expenditure rule, growth is estimated at 3.6%, which would leave slight room for other GG to meet the joint rate of 3.7%.

Evolution of national expenditure rule – CG (% change)



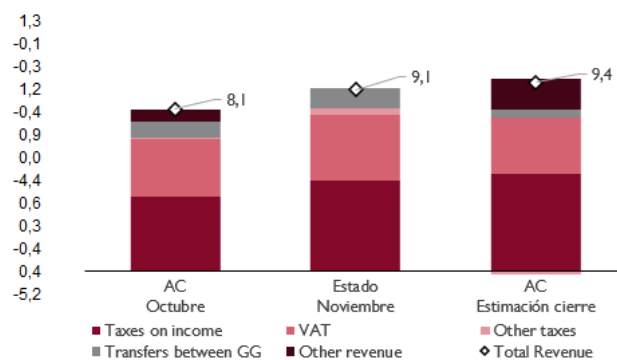
3 Year to date, annualised revenue has increased its weight in GDP by 0.4 points compared with 2024, reaching 19.9%. AIReF estimates a further increase of 0.3 additional points to 20.2% by the end of 2025. This improvement is due to a stronger expected momentum in revenue until year-end.

CG revenue (% GDP)



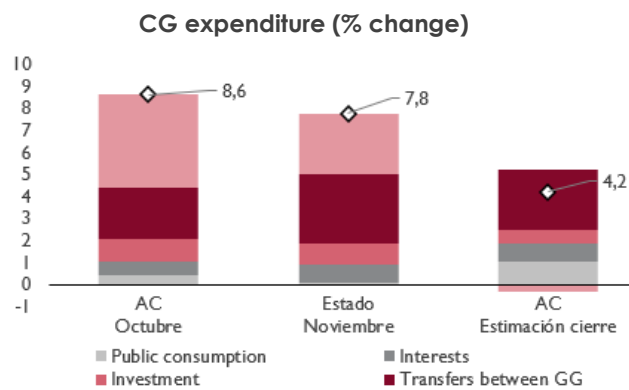
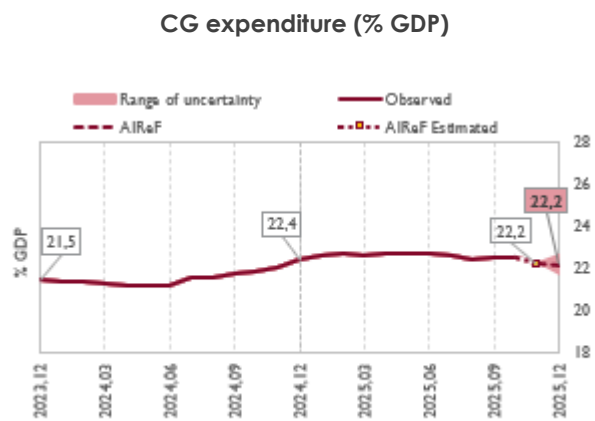
4 On a 12-month accumulated basis, revenue is up 8.1% through to October for the CG and 9.1% up to November for the State. A year-end figure of 9.4% is expected for the CG in 2025, driven by a higher contribution from other revenues.

CG revenue (% change)



5 Expenditure at 2025 year-end is expected to fall by 0.2 points compared to the end of 2024, mainly due to lower spending on court rulings, anti-crisis measures and the DANA.

6 Expenditure is up 8.6% through to November for the CG and 7.8% through to November for the State. By the end of 2025 the rate will fall to 4.2%, owing to the negative contribution of other expenditure items due to expected less spending on court rulings at December 2024.



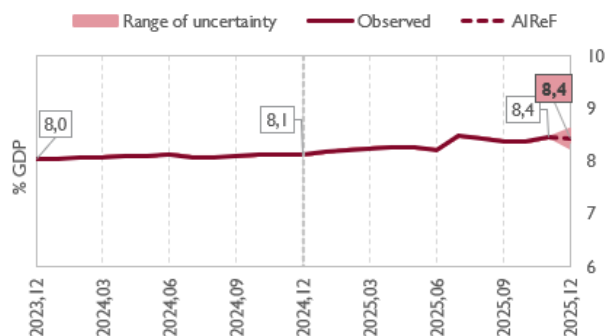
Main tax revenues and social security contributions

AIReF has updated its estimates of tax revenues and social security contributions for 2025 by incorporating the tax collection and budget execution data of the Social Security for November, as well as the IGAE data for October in the National Accounts. With this information, tax revenues grow by 10%, 0.7 points more than the cumulative figure up to October, with a significant acceleration in personal income tax, corporate income tax and VAT. AIReF expects 2025 to close with growth of 9.5%.

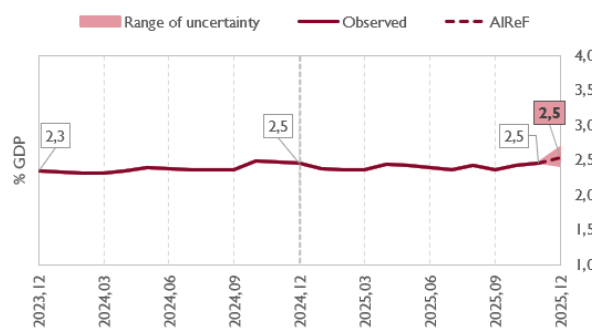
❶ In 2025, **PIT** will increase its weight in GDP by 0.3 points to 8.4%. Growth stood at 10.1% up to November, 0.7 points less than up to October. The acceleration of this last month is explained by the second payment associated with the result of the annual return, which shows an increase of 33.9% year-on-year. In the opposite direction, the refunds for the mutual society members' judgement knock 1.6 points off the growth in the cumulative figure for the year. For year-end 2025, growth of 9.4% is expected.

❷ **CIT** will reach 2.5% of GDP in 2025, maintaining the previous estimate. Proceeds are up 5.9% through November, accelerating by 1.7 points compared to October, as a result of a significant reduction in refunds made in the last month. AIReF forecasts an increase of 9.3% by the end of 2025, driven by the positive impact that the recovery of the limits established in Law 7/2024 will have on the third instalment payment, similar to what happened with the two previous instalment payments and with the result of the tax return.

PIT in cash (% GDP)



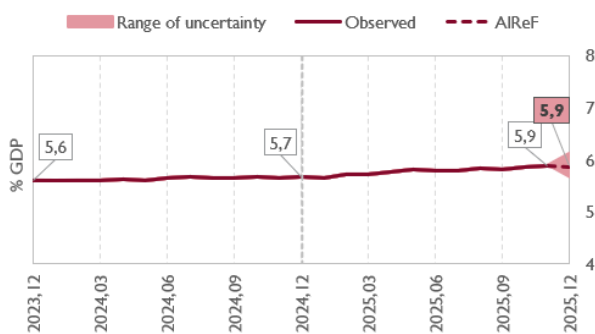
CIT in cash (% GDP)



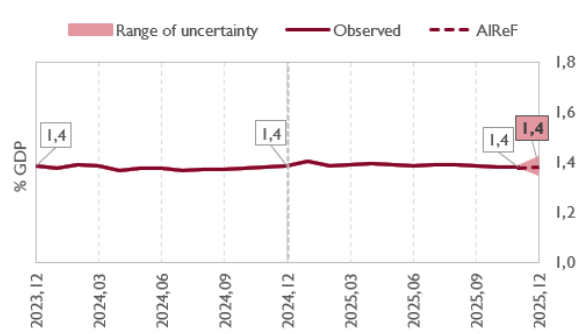
❸ AIReF maintains its **VAT** forecast at 5.9% of GDP, 0.2 points higher than in 2024. Up to November, revenue is up 9.3%, 0.5 points less than the figure reported a month earlier. This upturn is mainly due to higher revenues from large corporations. Growth of 9.2% is expected for year-end, 0.2 points more than in the previous forecast.

❹ **Special Taxes** will continue to account for 1.4% of GDP in 2025. In the year to November, revenue increased by 5%, 0.3 points less than the figure through to October. The slowdown seen in recent months is mainly due to the base effect in the Electricity Special Tax, as an increasing number of 2024 months are now being compared with the standard rate, and to the increasingly flat trend in the Hydrocarbons Special Tax. AIReF expects growth to reach 5.2% at year-end.

VAT in cash (% GDP)



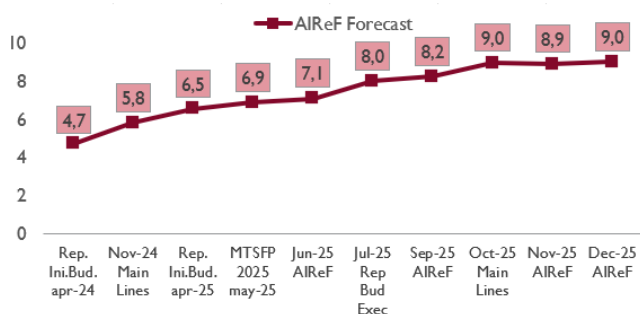
Special Taxes in cash (% GDP)



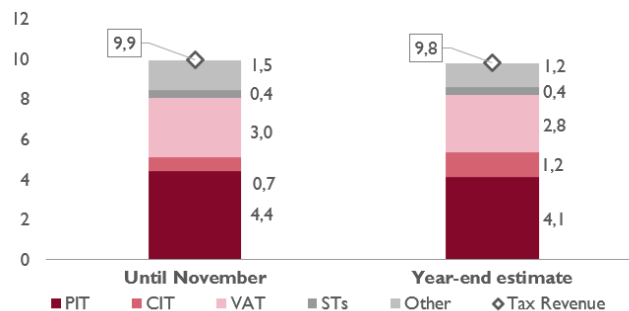
5 In national accounts terms, total tax revenue in 2025 will be up 9.0%, 0.7 points higher than in 2024. The forecast is revised up 0.1 point compared to the one made in November, mainly due to a second payment of personal income tax associated with the 2024 Income Tax Campaign, which is higher than initially estimated.

6 Tax revenue in cash in 12-month accumulated terms through to October is up 9.9%, driven mainly by payroll withholdings, the 2024 PIT filing campaign, and the good trend in VAT receipts. Growth of 9.8% is expected for year-end 2025, with all tax categories to make a positive contribution.

Updated 2025 tax revenue forecast. NA in Common Regime Territory (% year-on-year change)



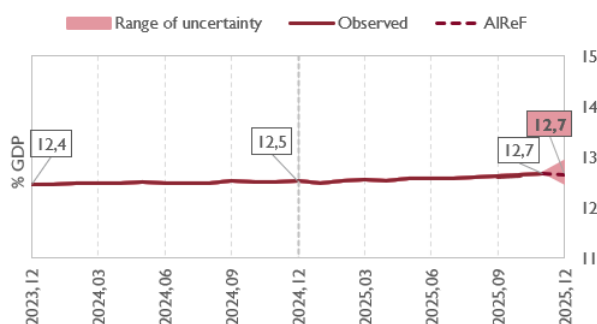
AIReF contributions to change in cash (% change, 12-month cumulative)



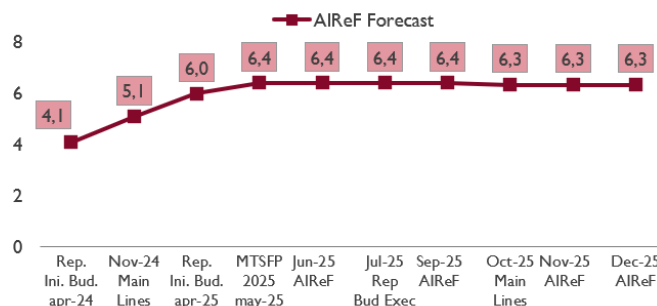
7 AIReF expects contributions of SFF to account for 12.7% GDP at year-end 2025. The 0.2 points increase compared with the 2024 year-end figure is due to the buoyant labour market as well as the measures adopted within the framework of the pension reform.

8 AIReF expects social contributions for the GG sector to grow by 6.3% in 2025. This figure is in line with the previously published forecasts.

SSF social contributions (% GDP) (NA)

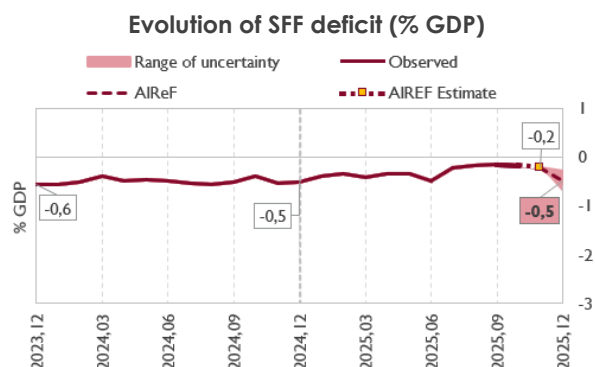


Updated forecast of total GG Social Security contributions (% change) (NA)



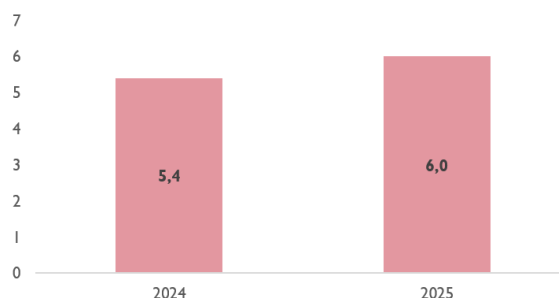
Social Security Funds

1 AIReF expects the Social Security Funds' deficit to remain at 0.5% GDP in 2025. The pace of CG transfers up to October places the deficit at 0.2%. However, expenditure is expected to increase due to the cost of the gender gap judgement and a slowdown in the growth of transfers with a consequent increase in the deficit during the last months of the year.



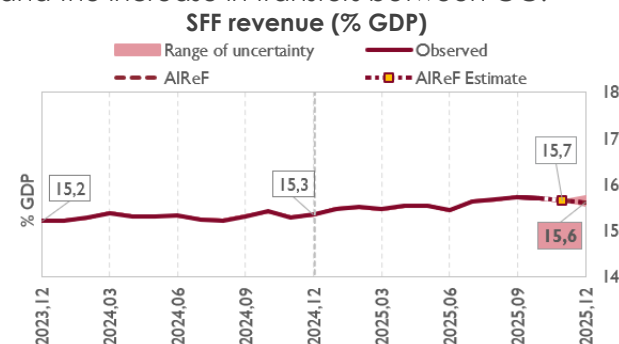
2 AIReF estimates that primary expenditure net of revenue measures for the purposes of the European expenditure rule would grow by 6.0% in 2025. This trend reduces the room available for the remaining sub-sectors to meet the joint rate of 3.7%.

Evolution of European expenditure rule (% change)



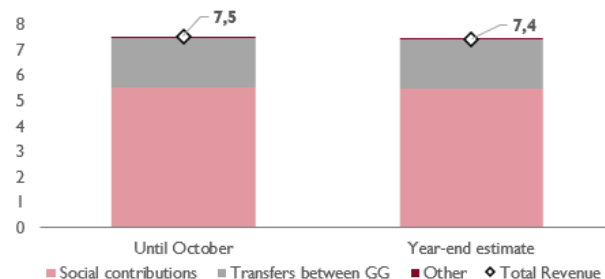
Fuente: AIReF

3 AIReF expects SFF revenue to reach 15.6% GDP in 2025. The 0.3 points increase is explained by the dynamism of social security contributions and the increase in transfers between GG.



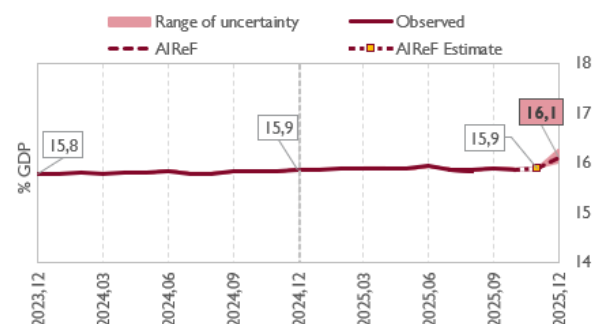
4 AIReF expects the pace of revenue growth for SFF to slow slightly over the coming months, reaching 7.4%.

Contributions to change SFF revenue (% change)



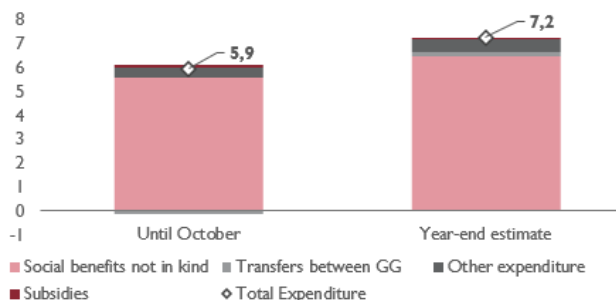
5 AIReF expects system expenditure to account for 16.1% GDP at the close of 2025, 0.2 points more than in 2024. The expected increase by the end of the year is due to the fact that the cost of the gender gap supplement ruling has not yet been accounted for.

SFF expenditure (% GDP)



6 Expenditure growth will rise over the year due to an increase in the contribution of social security benefits and, to a lesser extent, of transfers among GG and of other expenditure.

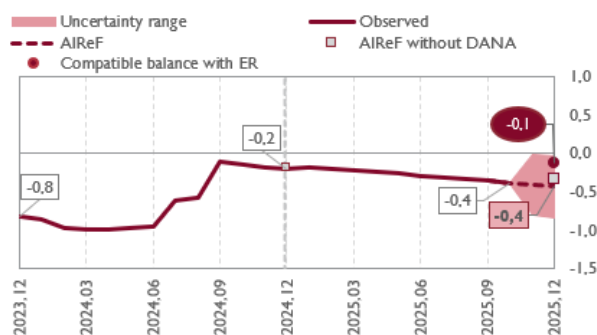
Contributions to change SFF expenditure (% change)



Autonomous Regions

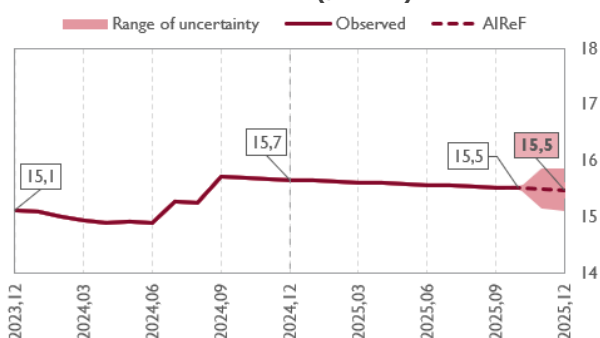
1 AIReF still expects ARs to report a deficit of 0.4% GDP in 2025, 0.1 points lower when stripping out the DANA measures. Complying with the expenditure rule would reduce the deficit by 0.3 points.

Evolution of AR deficit (% GDP)



3 Net revenue excluding the RTRP-related items will be up 4% at year-end, following the one-off 2024 settlement of the Regional Financing System. Factoring in the revenue associated with the implementation of the RTRP, it will grow 4.4% to reach 15.5% GDP.

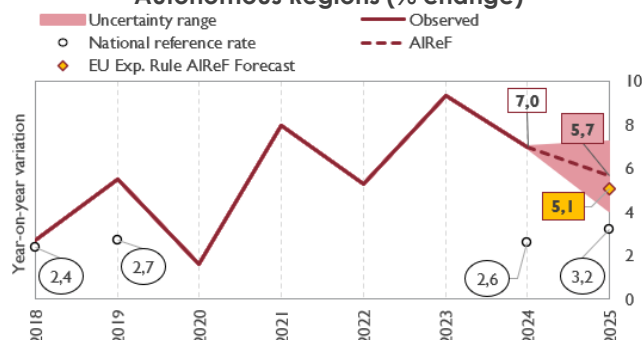
AR revenue (% GDP)



5 Including the impact of the aid handed out to those affected by the DANA, net expenditure excluding the RTRP will have risen by 5.5% at year-end. Factoring in expenditure financed through the RTRP, the increase will be in the region of 6%, accounting for 15.9% GDP.

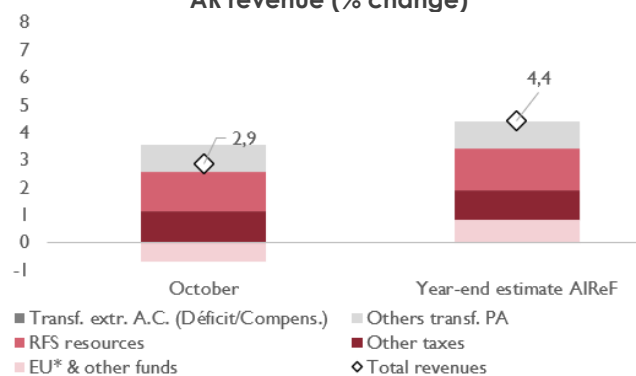
2 Eligible expenditure will grow by 5.7%, in breach of the national expenditure rule, although it could moderate if financially sustainable investments are recorded (RD-Law 15/2025). With regard to the spending rule, primary expenditure net of revenue measures will grow by 5.1%.

Evolution of the national expenditure rule – Autonomous Regions (% change)

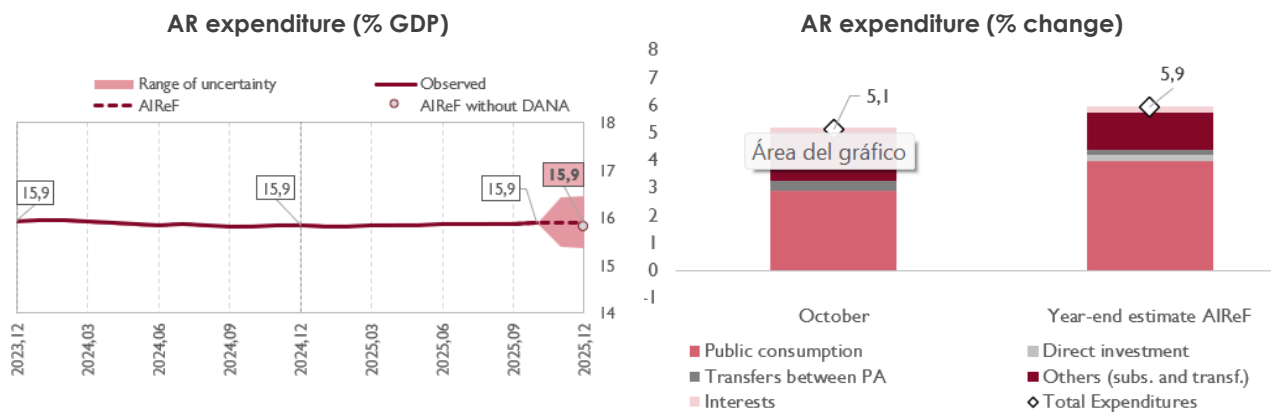


4 Revenue growth over the last 12 months comes from Regional Financing System revenue, taxes and other transfers from the State, with a negative contribution from EU funds. At closing, the contribution of the Regional Financing System will increase and that of EU funds will be positive.

AR revenue (% change)

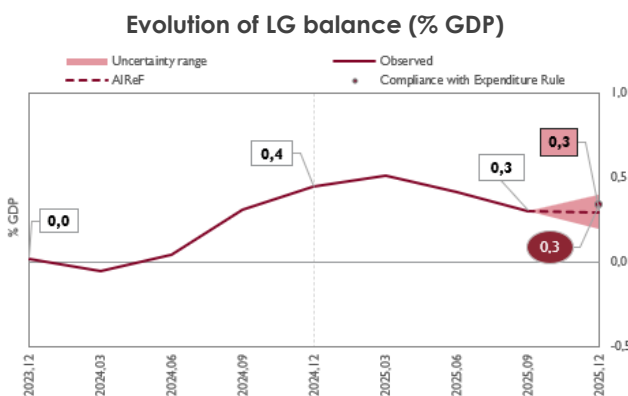


6 Spending growth over the past 12 months largely took place in public consumption and in subsidies and transfers. By year-end, the contribution of public consumption, particularly from employee remuneration, and investment will increase.

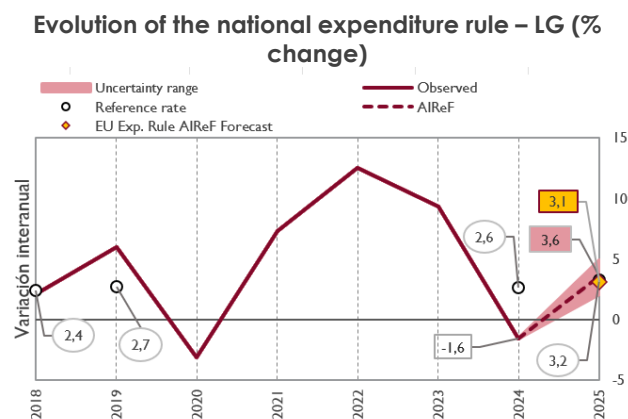


Local Governments

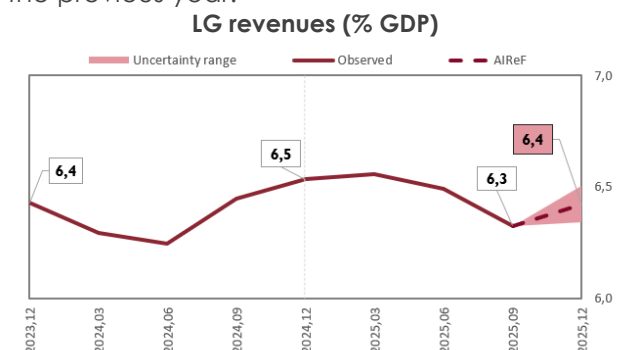
1 AIReF still expects Autonomous Regions will register a surplus of 0.3 points of GDP, slightly affected by the DANA measures. This balance is somewhat lower than needed to comply with the national expenditure rule.



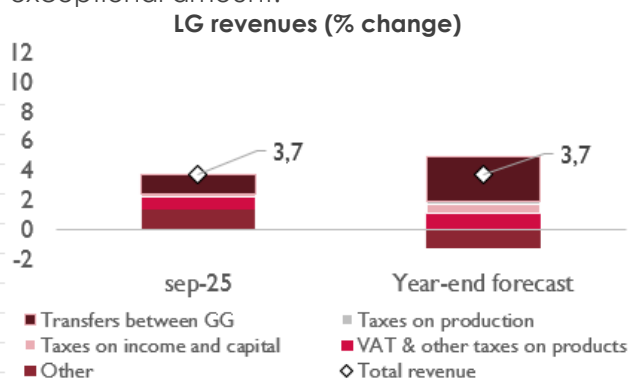
2 Growth in eligible expenditure will stand at 3.6% and would therefore exceed the 3.2% limit of the national expenditure rule in 2025. Primary expenditure net of revenue measures for the purposes of the European expenditure rule will grow by 3.1%.



3 Revenues without RTRP will increase by 3% at the end of 2025 due to the improvement in tax revenues and capital transfers to finance the expenses of the DANA. With the RTRP, revenues will increase by around 4% and will reach 6.4% of GDP, decreasing by 0.1 points compared to the previous year.

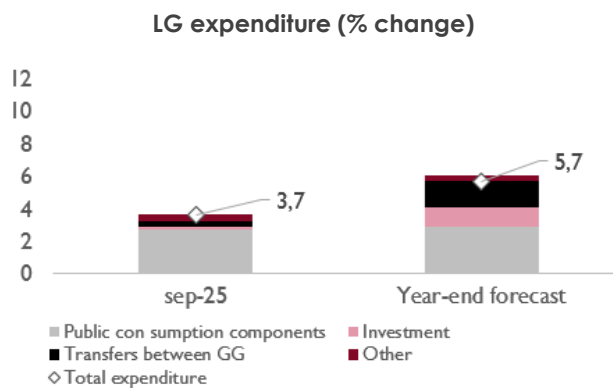
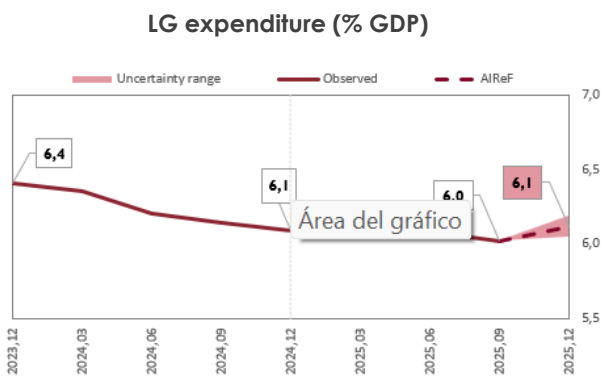


4 At year-end, the contribution of the State transfers from the DANA and the regularisation of the revenue of the financing system increases, while a negative contribution is expected from the revenues of the EU Funds which, at year-end 2024, recorded an exceptional amount.



5 Non-RTRP jobs will grow by 5.5% in 2025, including the estimated impact of the DANA. The increase will be 6%, incorporating expenses financed with RTRP, maintaining, with respect to 2024, its weight on GDP at 6.1%.

6 The growth expected at the end of 2025 is higher than that which occurred in the last twelve months, mainly due to the investment associated with the DANA, and the evolution of the Contribution of the Chartered Provincial Governments that in the previous year were weighed down by the impact of the judgment of mutual society members on personal income tax.



Note on the methodology employed

- AIReF's projections are updated on a monthly basis to include the latest data published into its forecasting models in respect of taxes, social contributions, unemployment benefits, pensions, and interest. They also take into account any relevant announced and approved information that could affect the year-end outcome.
- The latest data published by the General Intervention of the State Administration (IGAE) under Spanish National Accounts are considered, together with other monthly statistics such as budget execution data for the different subsectors (General State Administration, the Social Security System, SEPE [State Public Employment Service], FOGASA [Wage Guarantee Fund], and the Autonomous Regions of Spain), monthly tax collection reports from AEAT (State Tax Administration Agency), the pensions payroll (eSTADISS database), and unemployment benefits statistics.
- Except for the chart related to eligible expenditure under the expenditure rule, the charts included are expressed in annualised terms, that is, as the sum of the last 12 months. The series shows the flow of actual or projected data for the last 12 months up to the reference month; therefore, the December figure coincides with the annual data. The eligible expenditure chart is presented on an annual basis, as monthly data are not published.
- AIReF does not aim to provide a monthly breakdown of an annual total in these factsheets. Instead, it focuses on what it considers relevant: the flow throughout 2025, while showing how monthly information or new announcements lead to changes in its own estimates.
- Given that no monthly data are published for the LG subsector, data for this subsector are estimated in order to compile the GG total, looking at monthly flows that can be determined (payments from the State financing system to LGs, and payments by the Chartered Provincial Governments to the State under the quota system and to the Basque Country Autonomous Region).
- Given the absence of any approved stability targets for 2025, AIReF only considers the GG, a deficit of 2.5% of GDP—as set out in the Medium Term Fiscal and Structural Plan (MTP). The MTP established a commitment for 2025 of a 3.7% growth rate in eligible expenditure net of revenue measures. The progress report expects this growth to stand at 4.1%.
- Any Government forecast data included in the factsheets for the balances of the different subsectors, where applicable, come from the latest EDP (Excessive Deficit Procedure) notification submitted to the European Commission.
- As regards the expenditure rule, and according to the latest report on the Spanish economy, the reference rate stands at 3.2% for 2025, and is binding for the CG, the ARs and LGs under Article 12 of the Organic Law on Budgetary Stability & Financial Sustainability.
- AIReF's measurement of total GG expenditure and revenue includes RTRP funds, which AIReF estimates at 0.9 points of GDP in 2025.
- AIReF's uncertainty range is estimated using a VAR model with two lags, incorporating seasonally adjusted series for subsector revenues and expenditure, nominal GDP, subsector debt as a percentage of GDP, and 10-year interest rates. Monte Carlo simulations are performed on the basis of this model. The results of these simulations are ordered by percentiles, from which the uncertainty bands are determined. The uncertainty range for the balance is calculated as the difference between the corresponding revenues and expenditure. The uncertainty range for eligible expenditure under the expenditure rule is derived from the expenditure bands.
- AIReF's Report on budgetary execution, public debt and the expenditure rule 2020, dated 15th July 2020, includes an annex listing the main abbreviations and acronyms used.