



Primarily due to the added transparency of the supplier payment plan

## Ministry of Finance estimates that the deficit increased by four tenths in 2011 due to the regions, and notes that the 5.3% forecast for this year remains unchanged

**18 May 2012.** The Ministry of Finance and Public Administrations estimates that there will be an impact on the national accounts of 4 tenths on the 2011 deficit, reaching 8.9% of GDP, based on the latest information provided by the regional governments and the transparency arising from the supplier payment plan.

The economic and financial plans approved by the Financial and Fiscal Policy Council last Thursday included these variations, so the forecast of a deficit of 5.3% of GDP this year for the combined administrations and 1.5% for the autonomous regions, remains unchanged.

This has been reported to Eurostat, the EU's Statistics Office, emphasising that the deficit of the regions has been calculated more accurately thanks to the supplier payment operation, which involved circular debts. The variation is primarily due to the increased deficit of the

Madrid and Valencia regions, and to a lesser degree, Andalusia and Castilla-León.

The Government explained to Eurostat that this is spending that is recorded but pending payment, which was not included in the provisional report at the close of 2011 that it issued in March, the deadline for filing the provisional report on public sector accounts.

This communication to Eurostat by the Government is an advance on the definitive information that will be provided at the end of September, as

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required by the calendar that Eurostat applies to all member states, once the bilateral negotiation process with each subsector has been completed, and which runs from the first provisional report (March) to the definitive report in September.

This is the usual procedure which Spain follows each year, through which it issues a report in accordance with the budget stability target corresponding to the year immediately prior to the one reported to the Financial and Fiscal Policy Council in October.

The new result obtained is the result of one-off operations (affecting a single year) because it corresponds to spending from previous years, mainly concentrated in two autonomous regions, and the cost of the supplier payments.

The Ministry of Finance emphasised the efforts made towards transparency and fairness involved in the supplier payments mechanism, which will involve nearly 27 billion euros being paid to settle invoices in the near future.

It also points out that the new Organic Law on Budget Stability and the Economic and Financial Plans approved by the last Financial and Fiscal Policy Council meeting will ensure that there are no more unpaid bills being hidden, with monthly monitoring in terms of national accounts and through the information centre, which will provide comprehensive perspective of the accounts of all the territorial administrations.

Meanwhile, the Budget Law for 2012 will enable the goals of transparency and reliability of public accounts to be further improved, introducing audit compliance tests designed to controlling supplier balances.

Lastly, Ministry of Finance pointed out that these variations will not impact this year's accounts, and that every regional government is committed to the goal of 1.5% deficit in 2012.