Press release

Council of Ministers

# Funds available to ministries will be cut by 12.2% to €31.057 billion.

- The expenditure ceiling is reduced by 6.6%, once debt interest payments and Social Security contributions are excluded
- The maximum deficit target for all Public Administrations is set at 4.5% of GDP for 2013. The State target is 3.8%, for the regional governments it is 0.7% and for local authorities and the social security the target is budgetary equilibrium
- The revised economic table for 2012-2015 has also been approved

20 July 2012. The Council of Ministers has approved the budgetary stability target for the coming year and the State's non-financial expenditure limit. This ensures adherence to the provisions established in the General Law on Budgetary Stability that enables the Government to set these two variables, marking the start of the process of drawing up the General State Budget.

The government is seeking to cut the deficit and to fulfil its European commitments, and also to pave the way for balanced economic growth. A good example of this is the major effort to reduce expenditure among the different Ministries, which will experience a 12.2% cut in their budgets.

Following the variation in 2011 against the deficit target which ended at 8.9% of GDP compared to 6% set in the fiscal consolidation roadmap and a public deficit set at 6.3% for this year, the Government, faced with a new recession, considers it necessary to approve a new deficit target for the Public Administrations as a whole.

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For 2013, it has set a new maximum deficit target of 4.5% of GDP. The Central Administration's deficit target is 3.8% of GDP, for the regional governments it is 0.7%, while local authorities and the Social Security will end the coming year with a zero deficit.

For 2014 the maximum deficit for the Public Administrations as a whole is set at 2.8% of GDP. The State will have a negative balance of 2.7% of GDP, the autonomous regions 0.1%, while local authorities and the Social Security will continue to have a balanced budget, which will continue in 2015.

By 2015, the Central Administration will cut its deficit balance to 2.1% of GDP, while the autonomous regions will have a budget surplus equivalent to 0.2% of GDP, which means the aggregate balance sheet total will be a deficit of 1.9%.

## Expenditure ceiling

The government has submitted the State's non-financial expenditure limit for 2013 to parliament as well as this budgetary stability target. In a major effort to cut expenditure, the Government has approved a 12.2% cut in funds available to ministries, giving them total available funds of 31.057 billion euros.

The State's non-financial expenditure limit, once interest payments and Social Security contributions are excluded, is down by 6.6% to 73.255 billion euros.

When these items are included, the expenditure ceiling stands at 126.792 billion euros, an increase of 9.2%, as a result of the major effort to meet debt interest payments, which are up by 9.114 billion euros, and a 6.683 billion euro increase in Social Security contributions.

The State's forecast non-financial income for 2013 stands at 124.045 billion euros and the funds paid to the territorial administrations through the expenditure budget at 35.314 billion euros. The National Accounts adjustments total -€2.717 billion, which means that the spending capacity of the State's budget is reduced by this amount.

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The setting of the expenditure ceiling marks the start of the process of drawing up the General State Budgets for 2013.

## Improvement of two tenths

Today, the Council of Ministers also approved the revised macroeconomic outlook for 2012-2015 to support the new expenditure ceiling. According to the new forecasts, 2012 appears as the worst of the current crisis, particularly with regard to growth and jobs. At the end of this year, the economy is expected to gradually pick up which will enable it to return to growth by 2014.

The recent labour reforms will help to improve the relationship between growth and employment. At the same time, the process of reorganising the financial sector, containment of the public deficit, economic deregulation measures and improvement in Spain's position in relation to other countries, will pave the way for a more solid and sustainable growth model.

For the current year, GDP is expected to rise by two tenths to -1.5% compared to the earlier estimate. The improvement is due, above all, to the revised deficit target agreed by the Ecofin committee on 10 July, to 6.3% of GDP compared to the earlier figure of 5.3%.Next year the annual growth rate will be revised to -0.5%. This figure is in keeping with the accelerated recovery expected in the second part of the year, with positive quarterly growth rates.

The recovery in employment is expected to follow this pattern and will enable unemployment rates to fall to 21.8% by 2015.

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## Senda de la consolidación fiscal 2013-2015

Capacidad (+) / Necesidad (-) de financiación (%PIB)

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| Administración central | -3,8 | -2,7 | -2,1 |
| ComunidadesAutónomas | -0,7 | -0,1 | 0,2 |
| Corporaciones Locales | 0,0 | 0,0 | 0,0 |
| Seguridad Social | 0,0 | 0,0 | 0,0 |
| **TOTAL** | **-4,5** | **-2,8** | **-1,9** |

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