



Budget implementation

## Fernández Currás says that the State deficit to March has evolved in a reasonable manner and that the Government is on course to meet its target

- In like-for-like terms, the State deficit fell by 1.1 billion euros to March, 0.83% of GDP
- Including the advance on payments to other Public Administrations and the increase in tax refunds, the deficit now stands at 1.85% of GDP
- As a result of Government measures introduced in December, there has been an increase in revenue collected through Personal Income Tax due to the 6.8% increase in withholdings on work

**24 April 2012.** The Secretary of State for Budgets and Expenditure, Marta Fernández Currás, today stated that the State deficit to March has evolved in a reasonable manner and that in like-for-like terms it now stands at 0.83% of GDP. After giving this figure she expressed her belief that the Government would meet its deficit target for this year.

To March the State recorded a deficit of €19,696 million in national accounts terms, equivalent to 1.85% of GDP, according to the budget implementation figures published today by the Secretary of State for Budgets and Expenditure. However, it should be noted that at the end of the first quarter the national accounts and treasury figures are not representative, as there

are a number of factors that continue to have a bearing on the evolution of the State deficit both in terms of income and expenditure - particularly expenditure - and which mostly correspond to decisions taken by the Government, despite the fact that they temporarily hamper the positive evolution of the State deficit.

The main factor which has an impact on the deficit in relation to expenditure is the advance payment of transfers to other public administrations and the European Union totalling 8.073 billion euros, most of which has been paid to the autonomous regions and has managed to resolve their liquidity problems.

In relation to income, over the course of the first quarter, tax refunds have been paid out for an amount above and beyond what would be paid out in a normal refund period. In this case the amount paid in refunds totals around 1.5 billion euros more than would be considered normal.

Despite everything, these are considered to be temporary effects that will diminish over the coming months and under no circumstances, "would they hold us back from achieving our deficit target for the end of this year of 3.5% for the State and 5.3% of GDP for public administrations as a whole", stressed the Secretary of State for Budgets and Expenditure, Marta Fernández Currás.

For this reason, and in order to give a more accurate analysis of the way the deficit has evolved over the first few months of the year, the like-for-like comparison, that is, without the effects of the advance payments and tax refunds, would mean that the State deficit for the first quarter of this year would be 1.1 billion euros less than in the same period in 2011, that is, 11% lower.

According to the Secretary of State, "the State deficit has evolved reasonably to date and in line with our forecasts. There have been discretionary advances in State spending that raise the deficit figure to date, as predicted when we made the decision to make advance payments".

The effects of most of the fiscal consolidation measures introduced by the Government will begin to be felt from now on, totalling 12 billion euros which have yet to be reflected in revenue collection figures or which have featured to a very limited extent.

In relation to cash (an accounting methodology that takes into account revenues and payments that actually occur during the period), the deficit was also affected by the same circumstances in terms of national accounts, so that a like-for-like comparison would give a deficit 750 million euros lower than in March 2011. Without this like-for-like comparison, the balance would give a deficit for the quarter of 12.820 billion euros compared to a negative balance of 9.161 billion in the same period in 2011.

### NON-FINANCIAL INCOME

The State's non-financial income rose to 28.579 billion euros in the first quarter of the year, which is 1.127 billion more than the previous year. Discounted from this figure is the sum corresponding to the regional entities from personal income tax, VAT and special taxes, in accordance with the current regional funding model, which totals 17.560 billion euros, meaning that the total increases by 0.5% to 46.139 billion euros.

Direct tax revenue stood at 20.044 billion euros, 3.7% less than in 2011, while revenue from indirect taxes totalled 19.486 billion euros, 7.4% less than a year ago.

Tax figures show that revenue from personal income tax totalled 19.644 billion euros, just 0.1% less than a year ago, which means an increase of 2.7 percentage points compared to the previous month. Contributing to this good result is the positive evolution of employment withholdings which were up by 6.8% in March as a result of the early effects of the increase in the percentage withheld approved by Royal Decree Law 20/2011 of 30 December. Along the same lines, withholdings from liquid capital rose by 17.3% in accumulated terms.

Corporate Tax recorded negative revenue of 313 million euros as a result of the increased number of refunds paid out. However, revenue collected through this tax in the first quarter of each year is not representative, "as it only accounts for 3% of annual revenue, which means that its evolution to date is not significant enough to detect a trend", explained the Secretary of State.

With regard to revenue from VAT, the total collected stands at 14.318 billion euros, a 9.1% fall compared to 2011 as a result of the 13.1% increase in refunds. However, this evolution to March reflects a 0.7% improvement compared to the figure to February.

Revenue collected through special taxes in the first quarter totalled 4.425 billion euros, 2.2% less than in 2011, but an improvement on the 3.3% fall recorded in the first two months of the year. Revenue from the tax on hydrocarbons fell by 5.5% as a result of the fall in consumption, but there was a 1.6% rise in revenue collected through the tax on beer and the same through the tax on tobacco products.

### NON-FINANCIAL PAYMENTS

In the first quarter of the year, the State's non-financial payments stood at 41.399 billion euros, which is 13.1% more than in 2011, as a result of transfers to other Public Administrations. Interest payments were up 17.8% to 6.853 billion euros, affected by the debt interest payment deadlines.

Staff costs fell by 0.9% to 6.013 billion euros, as a result of the public sector pay freeze and the limits imposed on replacement rates.

Payments for real investments fell from 2.155 billion euros in the first quarter of 2011 to 1.270 billion to March 2012, a fall of 41.1%, affected by the bigger payouts for obligations from previous years in 2011.