



Budget implementation

The national deficit remains under control in August and is in line to meet the deficit target

- The fiscal consolidation measures approved by the Government will take effect on the deficit reduction at the end of this year
- The national accounts are still affected by the advance of tax returns and the advance of funds to other administrations and the European Union, an impact that will be cancelled in the last quarter
- The government deficit in national accounts terms reached 50.132 billion euros in the first eight months of the year, equivalent to 4.77% of GDP

25 September 2012. The Secretary of State for Budgets and Expenditure, Marta Fernández Currás, announced today that the August figures will keep the deficit in line with what is required to control spending and the evolution of revenues forecast by the Government, and said that the State has performed in accordance with government forecasts, which means that it is in line to meet the budgetary stability target.

The state deficit in national accounts terms reached 50.132 billion euros after the first eight months of the year, equivalent to 4.77% of GDP. The published data differs little from the previous month (-4.62% of deficit, -4.12% in like-for-like terms); in other words, the figures show that in August there were no major changes with respect to the month of July, or in terms of collections or expenditure, although part of the monthly revenues from withholdings, both from employment and capital gains as well as VAT, moves to September.

The national accounts, compared to the previous year, are still affected by the advance of tax refunds compared to an average period, in which there has been a higher level of transfers to other public administrations. This affects the deficit, which will be cancelled after the year end. For this reason,

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in order to make like-for-like year-on-year comparisons possible, standardised implementation figures are published every month. By taking these actions into account and adjusting them, the standardised deficit would be reduced to 4.26% of GDP.

In cash terms, a methodology that considers income and payments when they have actually taken place, the deficit stood at 39.190 billion euros, or 3.73% of GDP.

The deficit reduction is not reflected until the fourth quarter, exactly when the measures taken by the Government to meet the 6.3% forecast at the end of this year have their effect on revenues and the expenditure execution. "This deficit is in line with our forecasts and will decrease by the end of the year", said the secretary of State.

Non-financial revenues

Total non-financial income for the first eight months of the year, before deducting the regional governments' share of income tax, VAT and excise duties, totalled 137.832 billion euros, representing an increase of 22.8% in year-on-year terms. Non-financial income would remain the same taking into account that the effect of the settlement of the financing system.

Tax revenues reached 99.057 billion euros, representing a decline of 4.6% as a result of the different maturity schedule of government debt. After eliminating the impact of net withholdings on interest on the debt, the cumulative rate recorded in like-for-like terms fell by 1.7%.

Revenues from direct taxes and social contributions totalled 55.541 billion euros, 2.5% less than a year earlier, also negatively affected by the debt schedule, so that in like-for-like terms, eliminating this effect, revenues increase by 2.7%.

Revenues from personal income tax totalled 44.730 billion euros, 1.5% more than a year ago. It is important to note that income in this month is minimal due to the fact that most withholdings from employment and capital gains are moved to September.

The withholdings from employment and capital gains increased 0.5% and 10.5% respectively. On a like-for-like basis, income tax has increased 2.9% and has remained stable in the last two months. Corporate income tax fell by

12.2% largely affected by the different timing of the income from withholdings on the interest on government debt. This has meant a loss of revenue, in like-for-like terms, of nearly 3.100 billion euros. This loss of revenue, which will be recovered next month, is mainly from this tax and to a lesser extent from income tax on non-residents.

Revenue from indirect taxes amounted to 43.516 billion euros, representing a decrease of 7.2% mainly due to lower consumption.

VAT revenue totalled 29.589 billion euros, representing a fall of 8.4% determined by an increase in returns of 1.5% and a decline in gross revenues by 4.9%. After correcting these effects, the standardised VAT decreased by 7.9%.

Excise revenues reached 12.097 billion, decreasing by 4.8% as a consequence of the 24% increase in revenues on tobacco products in August and the electricity tax of 11.2%. Revenue from the special tax on hydrocarbons fell 7.2%.

Non-financial payments

Overall in the first eight months of the year, non-financial payments amounted to 106.015 billion euros, representing an increase of 8.9%, primarily due to the definitive settlement of the financing system with regional and local authorities, as well as the growth of financial expenditure.

Staff costs remain virtually unchanged, increasing by only 0.2% to 17.727 billion euros, due to an increase in social benefits. Spending on wages and salaries decreased by 1.4%.

Interest payments on debt rose by 16.1% to August to a total of 20.312 billion euros, representing 19.1% of total non-financial payments, a figure that continues to evolve based on the volume of debt and the evolution of interest rates and the maturity schedule.

Current transfer payments have increased from 49.586 billion euros in 2011 to 60.821 billion euros in 2012. Of this total, 17.461 billion corresponds to the autonomous regions, in other words 7.969 billion more than one year ago.

Payments for real investments continue to decline, at a rate of 31.6% to 2.885 billion euros.

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