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# Fiscal Policy Strategy

7th July 2016



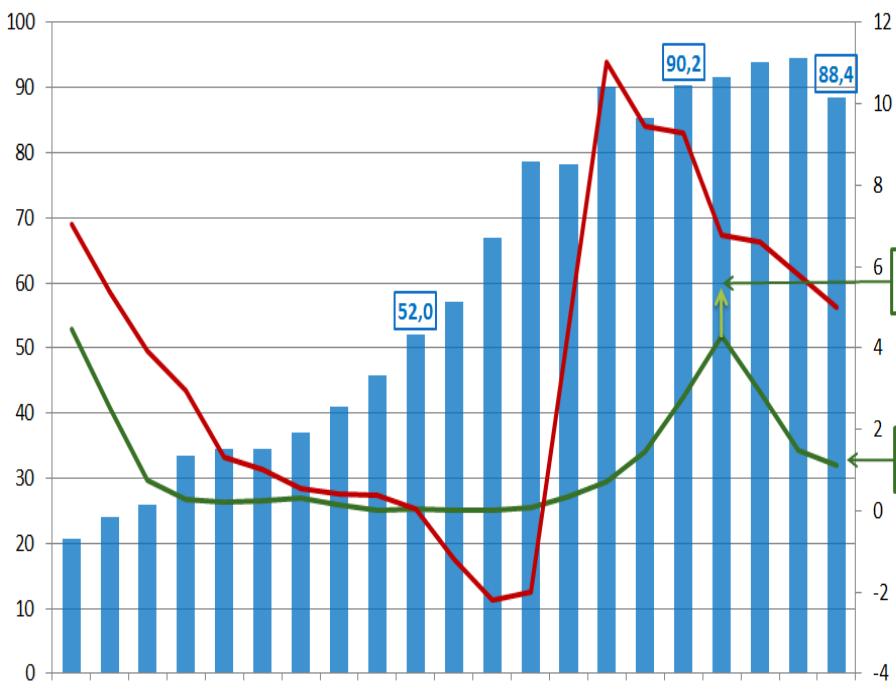
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## External debt and macroeconomic stabilisation

Net financial liabilities, public deficit and risk premium

(% GDP)



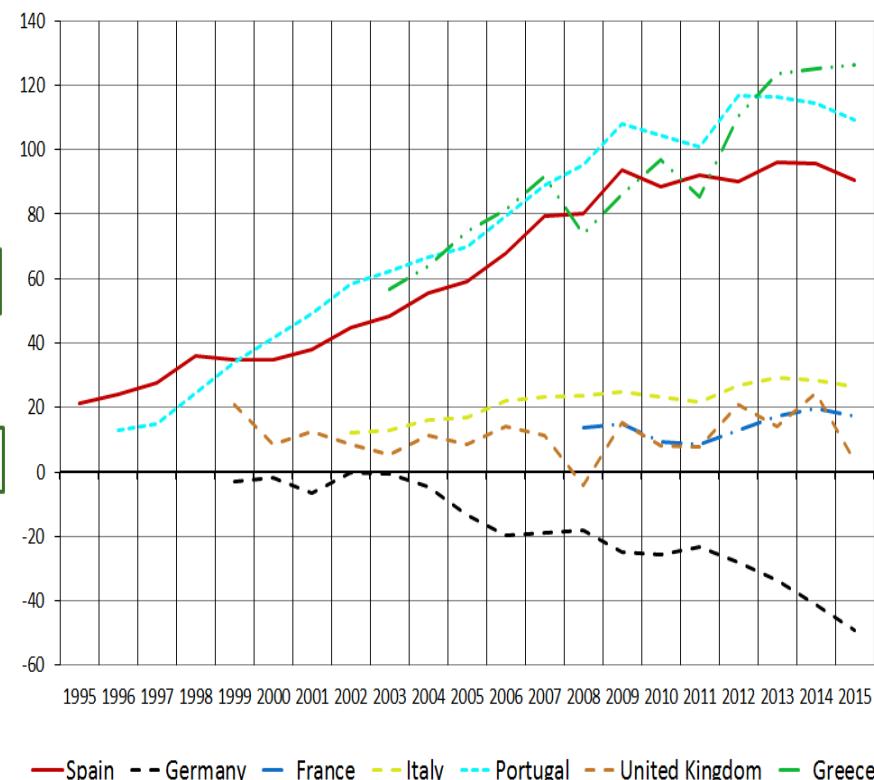
\* 2010,2011,2012,2013, 2014 net of one-offs to the financial sector.

■ Net financial liabilities   ■ Bond yield spread (right)   ■ Public deficit (+) (right)

Source: Bank of Spain.

Net International Investment Position

(% GDP)



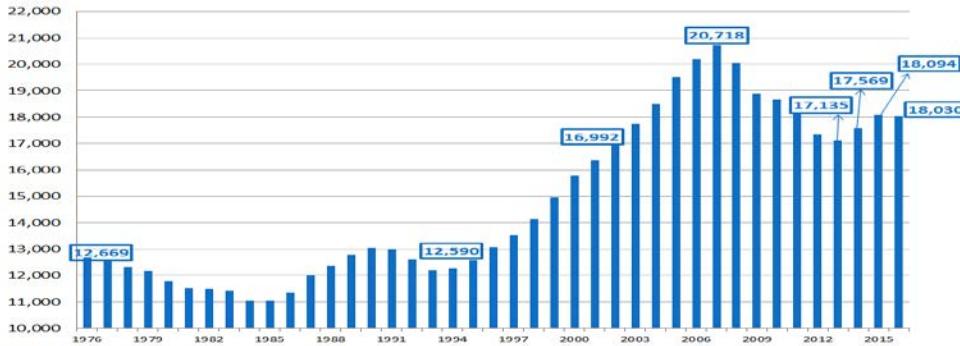
Source: EUROSTAT, Bank of Spain.



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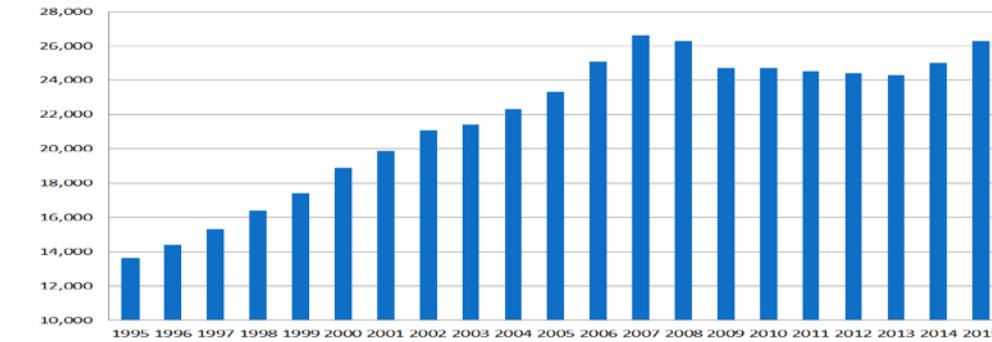
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### Employment and active population (thousands. 4Q and 1Q16)



Source: INE

ESPAÑA	2007	2011	2012	2013	2014	2015	2016T1	Dif. 2016-2013	%var 2016-2013	Dif. 2016-2011	%var 2016-2011	Dif. 2011-2007	%var 2011-2007
Employees	20,717.9	18,153.0	17,339.4	17,135.2	17,569.1	18,094.2	18,029.6	894.4	5.2	-123.4	-0.7	-2,564.9	-12.4
Affiliates	19,372.8	17,229.9	16,442.7	16,357.6	16,775.2	17,308.4	17,760.3	1,402.6	8.6	530.3	3.1	-2,142.9	-11.1



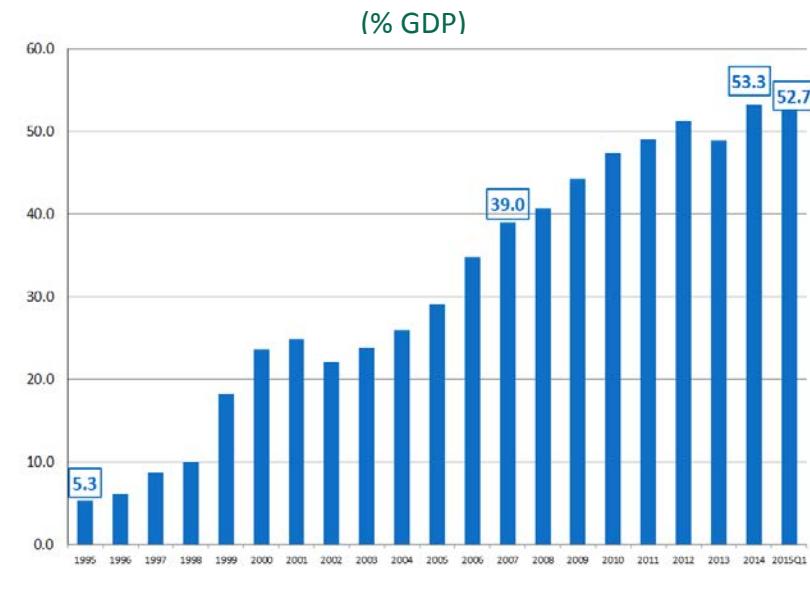
PIB per cápita	2007	2011	2012	2013	2014	2015	Dif. 2015-2011	Dif. 2011-2007
España	26,600	24,500	24,400	24,300	25,000	26,300	1,800	-2,100

Source: Eurostat

## Some structural features of the Spanish economy

Better position to face the financial crisis: human capital, per capita income and internationalization

### Direct investment position abroad



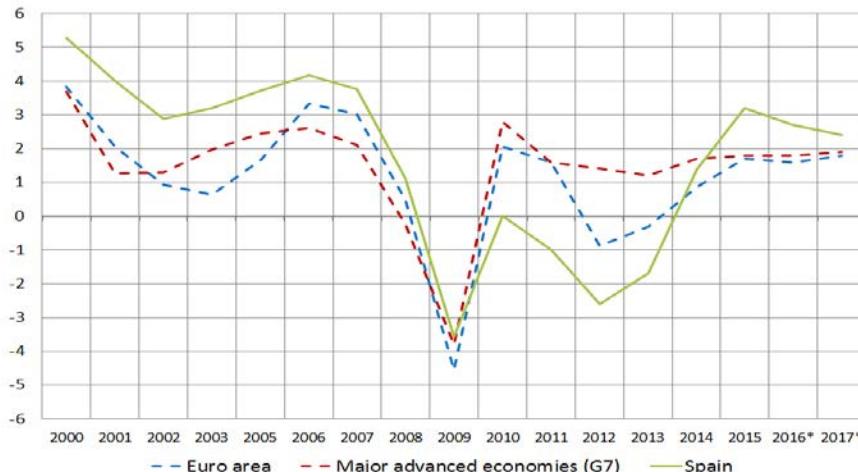
Spanish FDI abroad (as % GDP)	2007	2011	2012	2013	2014	2015	Dif. 2015-2011
39,0	49,0	51,4	48,9	53,3	52,7	3,7	

Source: Bank of Spain.

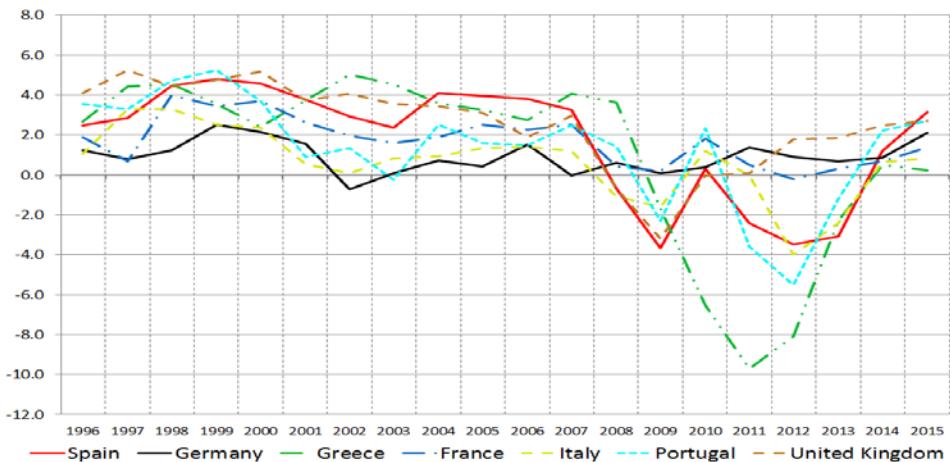


# Result: differential economic growth

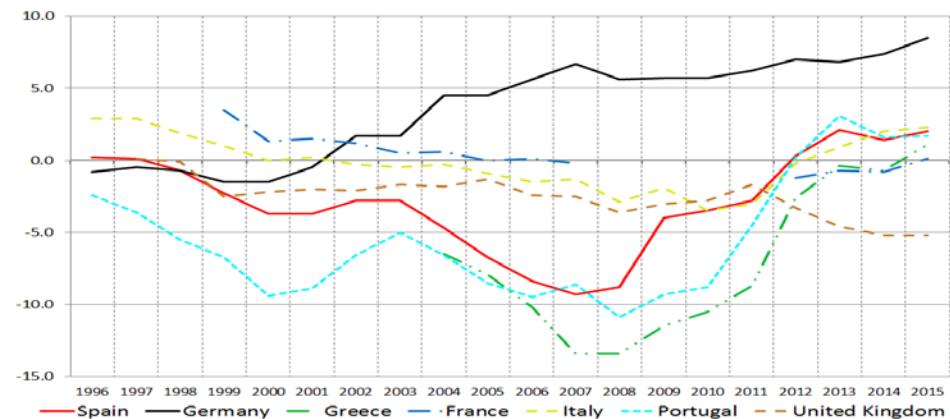
Real GDP (% y-o-y)



Private consumption (% y-o-y)



Net lending or net borrowing row (% GDP)



Source: INE, Stability Programme 2016-2019, IMF (WEO April 2016), and European Commission (Spring forecast 2016).

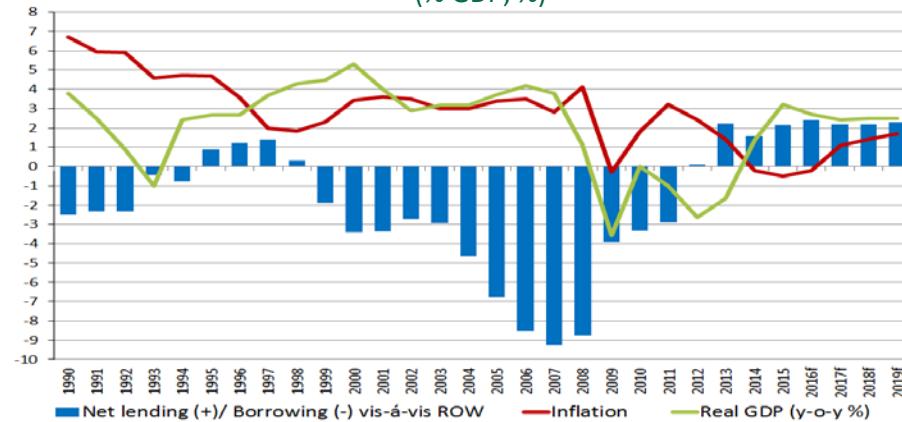
Source: Eurostat.



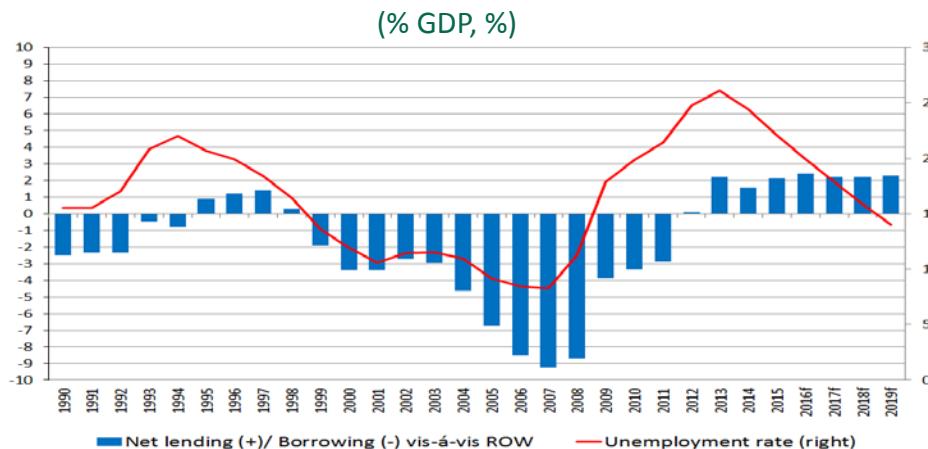
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**Net lending (+) or borrowing (-) vis-à-vis ROW, inflation % and real GDP annual % change (% GDP, %)**



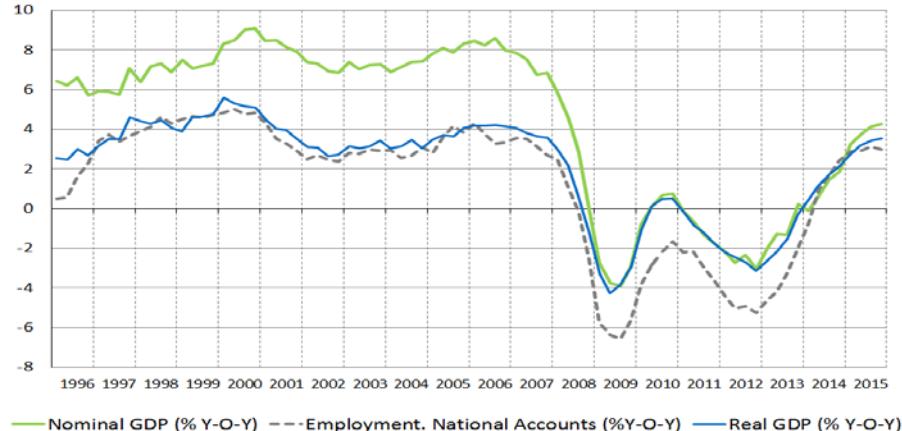
**Net lending (+) or borrowing (-) vis-à-vis ROW and unemployment rate**



Source: INE, Stability Programme 2016-2019 and MEYSS.

# Sustainable economic growth

**Real GDP and nominal GDP and employment (% y-o-y)**



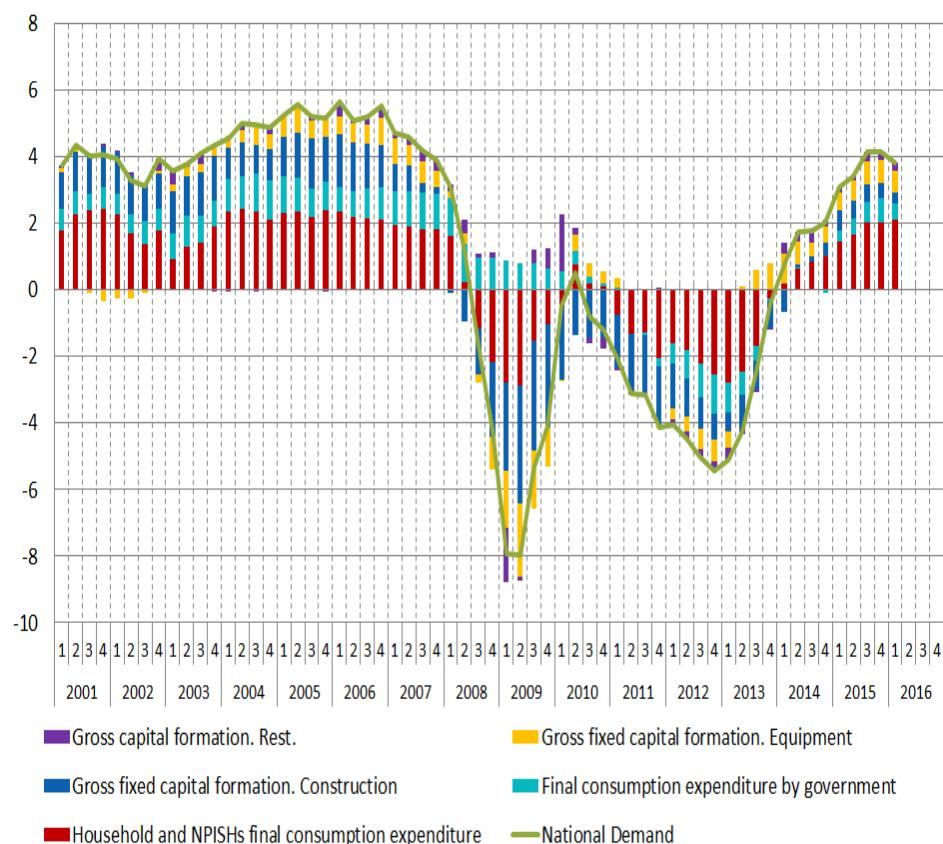
## Employment elasticity

	Real GDP (average growth %)	Employment creation/destruction (average, thousands)
Q12005 to Q42008	3.19	335.6
Q12009 to Q4 2013	-1.77	-658.1
Q12014 to Q42015	2.29	443.3

Source: INE (CNTR). Average employment created: subtracting last quarter of the last period of the previous period and divided by the number of years.



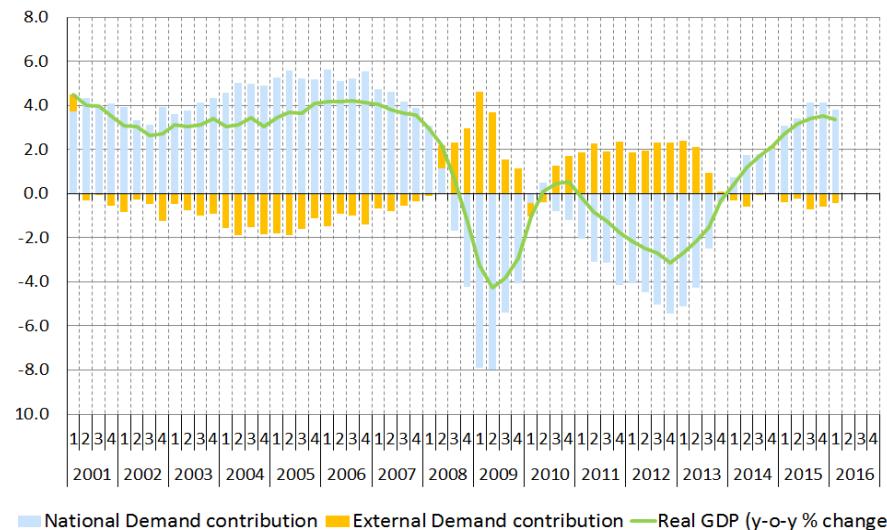
**Contribution to national demand and its components to GDP growth**  
(pp and y-o-y % change)



Source: INE

## Key contribution of domestic demand to economic growth

Domestic demand, external demand contributions and real GDP (quarterly data)



Contributions (pp)	2016Q1
Real GDP (y-o-y %)	3.4
National Demand	3.8
- Final consumption expenditure	2.6
F.C.E. Private sector	2.1
F.C.E. Government	0.5
- Gross capital formation	1.2
G.F.C.F. Construcción	0.3
G.F.C.F. Equipment	0.7
G.F.C.F. Rest	0.2
External Demand	-0.4

\*Last date: GDP 2016Q1

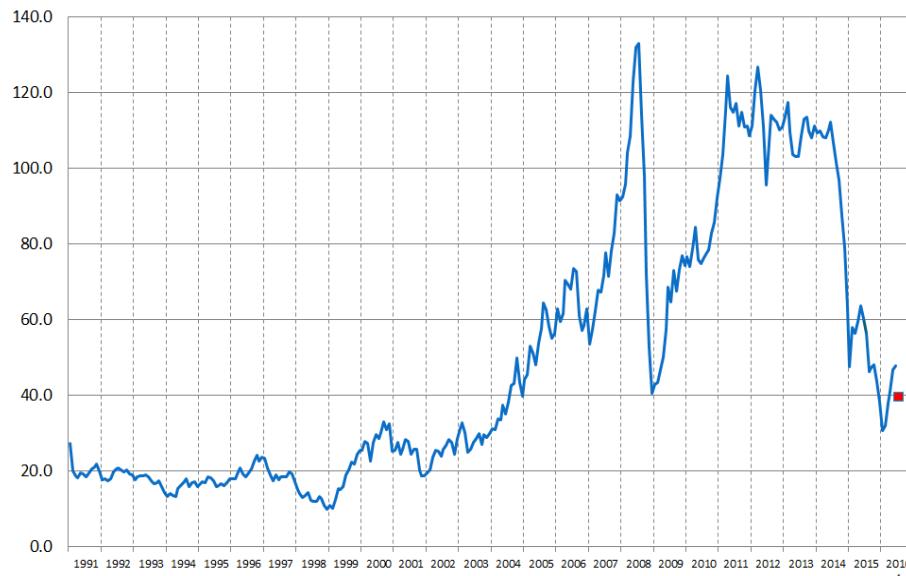


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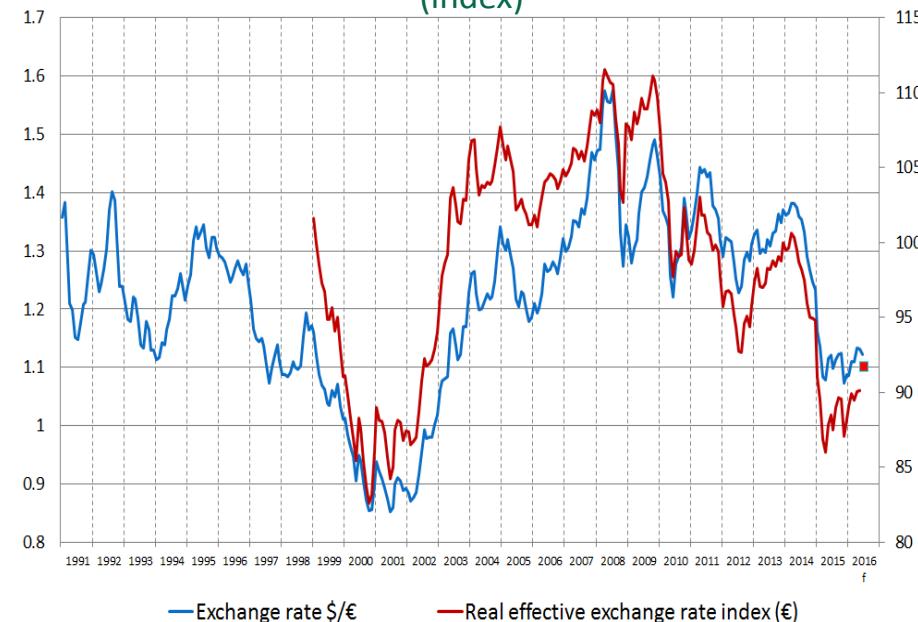
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# Determinants of the contribution of external demand to economic growth

Brent oil Price \$ per barrel



Exchange rate(\$/€), and real effective exchange rate € (index)



	2011	2012	2013	2014	2015	2016 (Jun)	2016p
Brent oil \$ per barrel	112.2	112.4	109.7	99.4	52.1	47.8	39.7

Source: Eurostat, Bank of Spain and European Central Bank.

	2011	2012	2013	2014	2015	2016 (Jun)	2016f
Tipo de cambio nominal \$/€	1.392	1.286	1.328	1.329	1.110	1.123	1.100
Tipo de cambio efectivo real	100.3	95.1	98.2	97.9	88.4	90.2 (May)	-

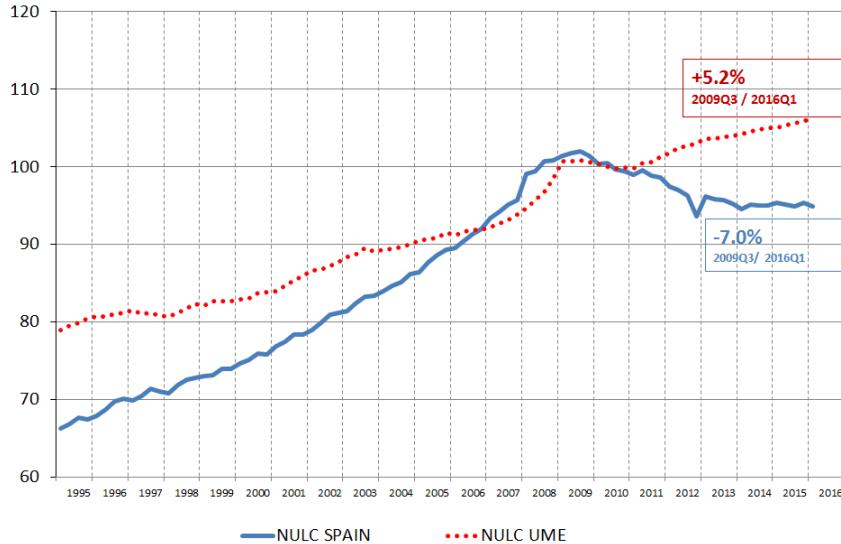


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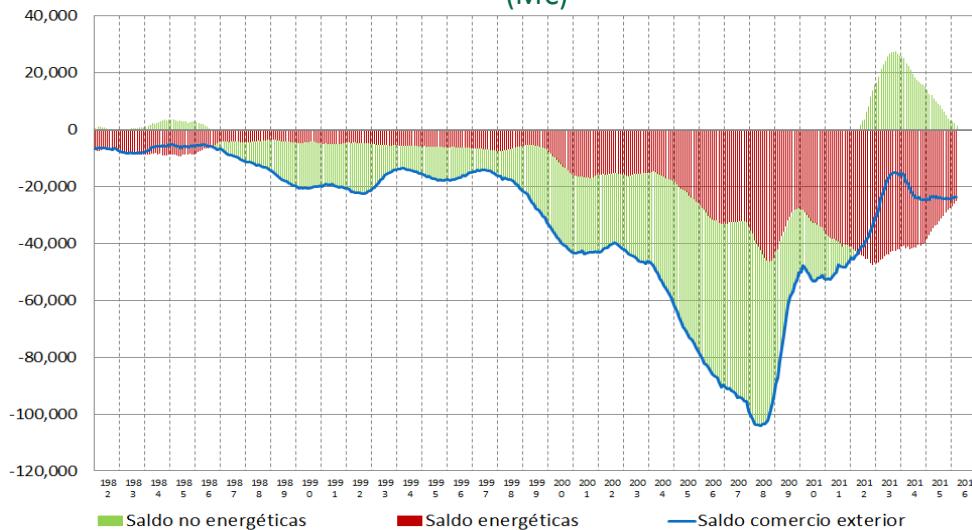
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## Competitiveness

**Unit Labour costs**  
(Index 100=2010)



**Energy and non-energy trade balance**  
(M€)



NULC (var %)	2007	2011	2012	2013	2014	2015	2016 Q1	2007-1997	2015-2007
Spain	4.1	-1.0	-2.9	-0.4	-0.9	0.3	-0.5	33.8	0.6
Euro area 19	1.4	0.6	1.9	1.2	0.9	0.8	0.9	14.5	13.5

Trade balance (M€)	2007	2011	2012	2013	2014	2015	2016 (Jan-Apr)
Non-energy	-65,082	-5,179	15,790	25,965	15,368	3,243	925
Energy	-33,870	-41,159	-46,547	-41,920	-39,840	-27,417	-6,506
Total	-98,952	-46,338	-30,757	-15,955	-24,472	-24,174	-5,581
Balance of Payments (% GDP) Goods y Services	2007	2011	2012	2013	2014	2015	2016Q1
Imports	31.7	29.1	29.1	28.7	30.1	30.6	30.4
Exports	25.7	29.0	30.6	32.0	32.5	33.0	31.7
Total	-6.0	-0.2	1.5	3.2	2.5	2.4	1.3

Source: AEAT, Bank of Spain.

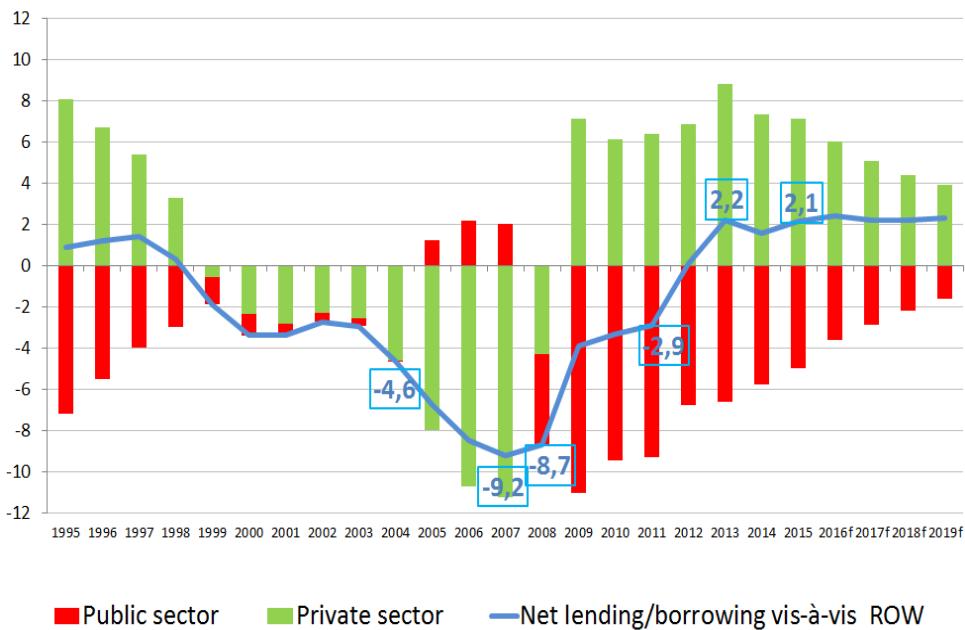


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## Fiscal consolidation and saving

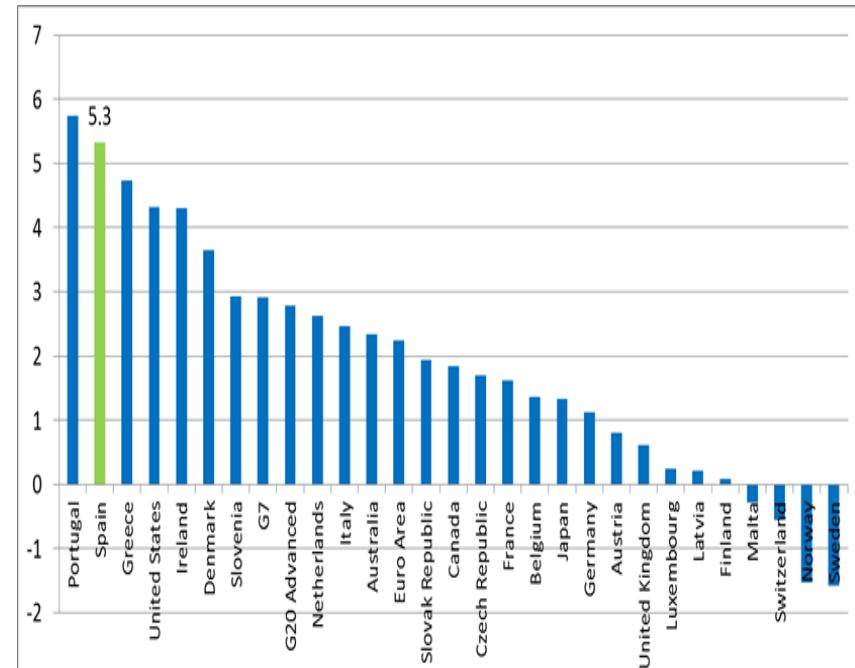
**Net lending (+) or net borrowing (-) by institutional sector  
(% GDP)**



Source: INE, IGAE and Stability Programme 2016-2019

**Fiscal effort 2012 -2014**

(Change in the cyclically adjusted primary balance, % potential GDP)



Source: FMI, Fiscal Monitor Oct 15

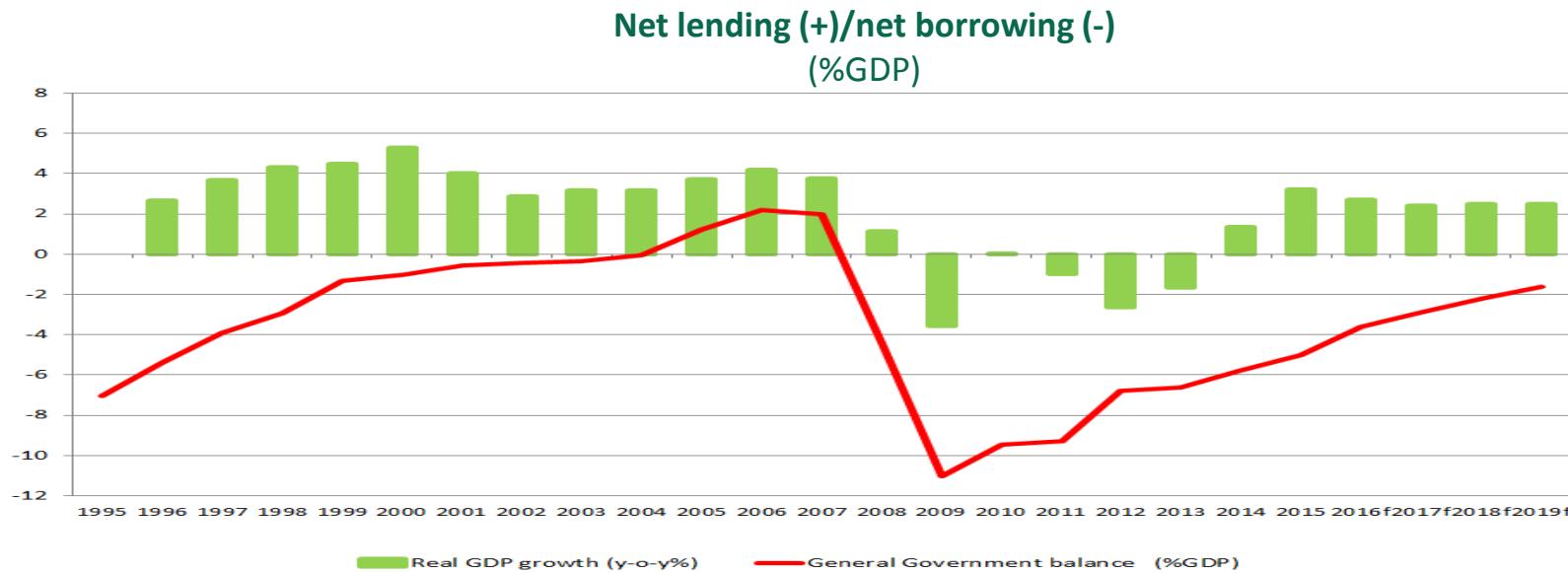
(% GDP)	2010	2011	2012	2013	2014	2015	2016Q1	2016f	2017f	2018f	2019f
Net lending (+)/ borrowing (-) vis- à-vis RoW	-3.34	-2.89	0.07	2.22	1.57	2.13	2.09	2.4	2.2	2.2	2.3



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# General Government balance, fiscal effort and economic growth



% PIB	Fiscal balance	Interest	Primary balance	Potential GDP(y-o-y %)	Cyclically adjusted balance	Structural balance	Primary structural balance	Structural Effort	Primary structural effort
2011	-9.3	2.5	-6.8	0.6	-6.2	-5.9	-3.5		
2012	-6.8	3.0	-3.8	-0.1	-5.8	-2.1	0.8	3.8	4.3
2013	-6.6	3.4	-3.3	-0.4	-1.6	-1.4	2.0	0.7	1.1
2014	-5.8	3.4	-2.4	-0.2	-1.4	-1.0	2.4	0.4	0.4
2015	-5.0	3.1	-1.9	0.2	-2.0	-1.8	1.3	-0.8	-1.1
2016p	-3.6	2.9	-0.8	0.5	-1.7	-1.8	1.1	0.0	-0.2
2017p	-2.9	2.7	<b>-0.2</b>	0.8	-1.9	-1.7	1.0	0.1	-0.1
2018p	-2.2	2.6	0.4	1.1	-1.9	-1.9	0.7	-0.2	-0.3
2019p	-1.6	2.5	0.9	1.3	-1.9	-1.9	0.6	0.0	-0.1

Source: IGAE, MINHAP, MINECO. Excluding 2008-2009 Settlements of the territorial financing system for 2010-2011.



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## Budgetary policy, Fiscal balances and stability targets

### Net lending (+)/net borrowing (-) (% GDP)

	Deficit 2011*	Deficit 2012	Deficit 2013	Deficit 2014	Deficit 2015	Target 2015	Target 2016	Target 2017	Target 2018	Target 2019
General Government (excluding financial assistance)	-9.29	-6.77	-6.62	-5.79	-5.00	-4.2	-3.6	-2.9	-2.2	-1.6

\*2011 Excluding 2009 Settlements of the territorial financing system.

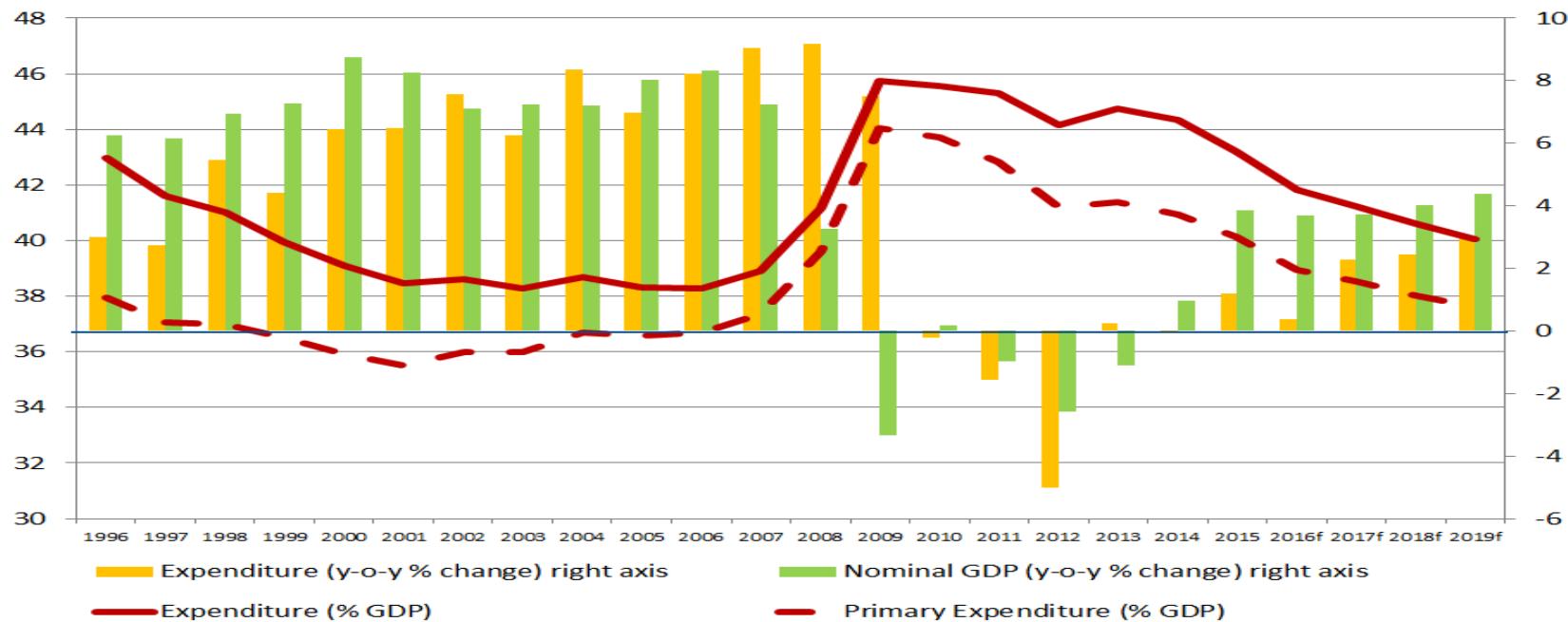
Main one-off 2015 (M€)	
PPPs	-2,033
Hepatitis C	-1,094
Guarantees	-200
Restitution of the Christmas bonus 2012 (net)	-1,930
UMTS auction	1,643
Flat rate and minimum exempt	-925

Source: MINHAP



## Budgetary policy, Expenditure

General Government expenditure(%)



Source: IGAE, INE, MINHAP and Stability Programme 2016-2019. Expenditure not including financial assistance one-offs expenditure.

SPAIN	1996	2007	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Expenditure/GDP (%)	43.0	38.9	45.8	48.0	45.1	44.5	43.3	41.8	41.2	40.6	40.1
Nominal GDP (y-o-y %)	6.2	7.2	-1.0	-2.6	-1.1	1.0	3.8	3.7	3.7	4.0	4.4

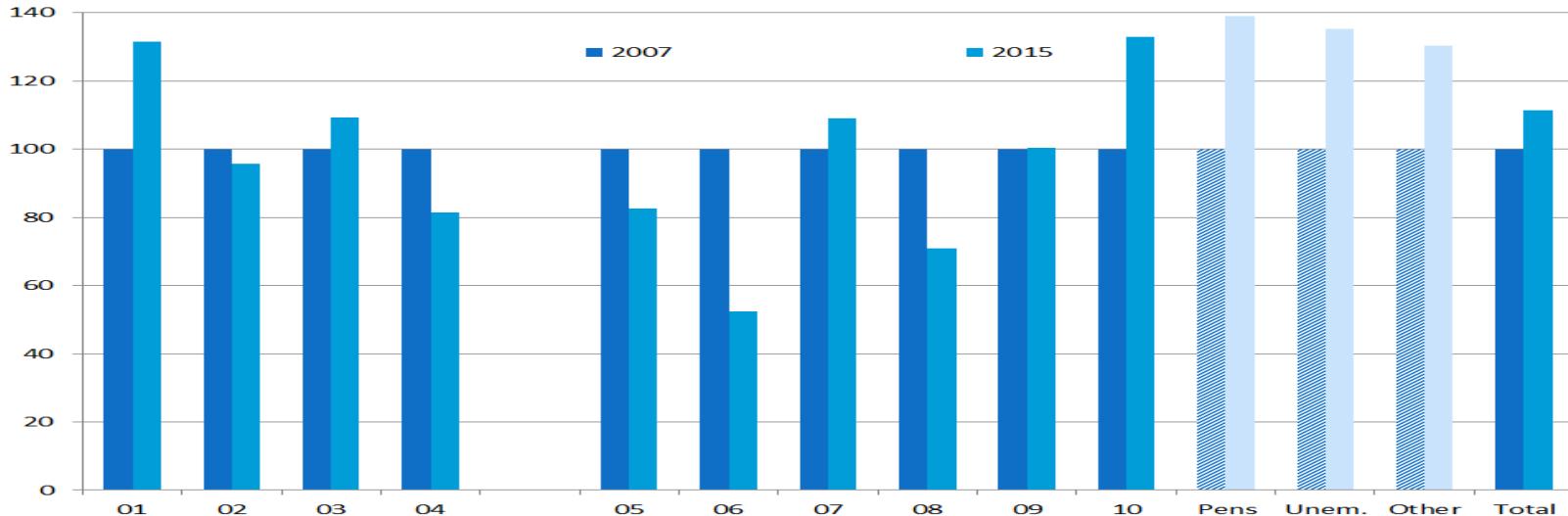
EURO AREA-19	1996	2007	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Expenditure(%)	50.1	45.3	49.1	49.7	49.6	49.3	48.6	48.0	47.6		
Nominal GDP (y-o-y %)	3.5	5.3	2.6	0.3	1.0	1.8	3.0	2.8	3.1		

Source: IGAE, MINHAP, European Commission. Including financial assistance



# Budgetary policy, Expenditure by function

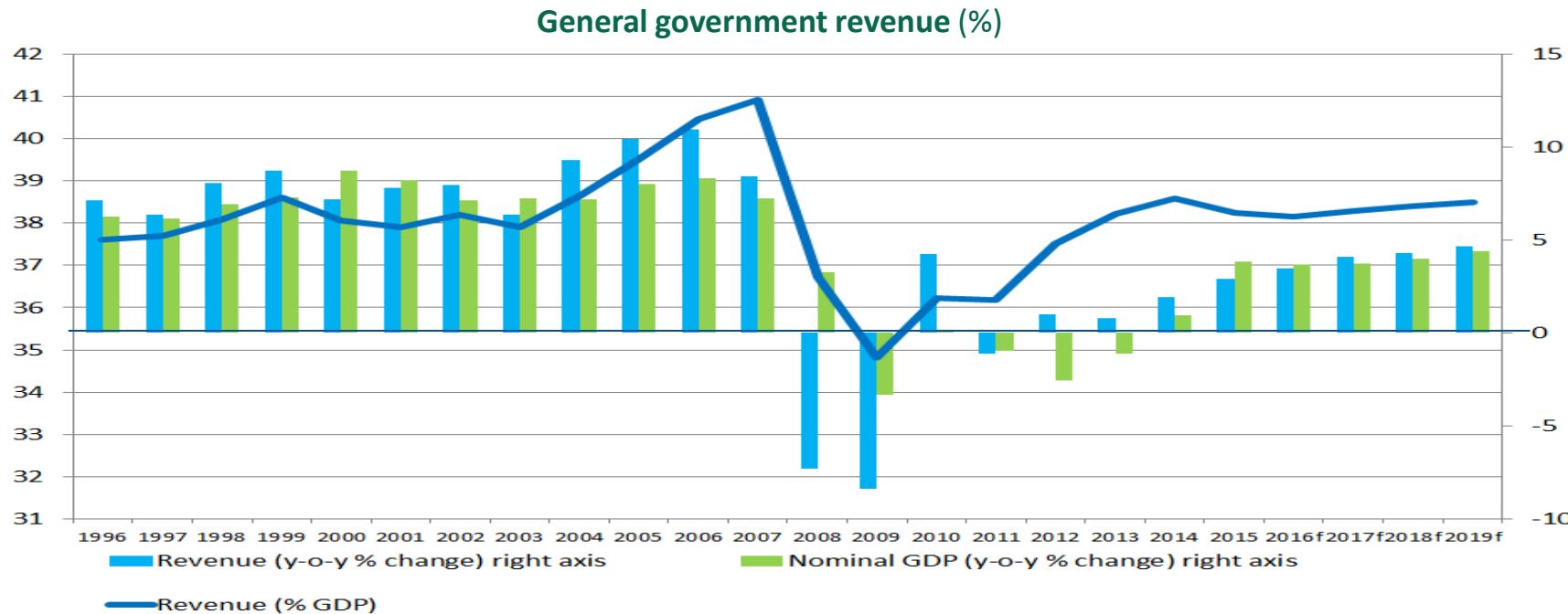
General government expenditure by function (2007=100)



BN€	01 General public services	02 Defense	03 Public order and safety	04 Economic affairs	* financial sector assistance	05 Environmental protection	06 Housing and community amenities	07 Health	08 Recreation, culture and religion	09 Education	10 Social protection	*** Pensions	*** Unemployment	*** Other pensions	Total Expenditure	Total Expenditure/GDP (%)
	53.122	10.803	20.141	55.955	-	10.764	9.814	61.238	16.933	43.336	138.574	89.979	15.226	17.013	420.680	38.9
2011	66.326	11.138	23.229	60.636	5.442	10.174	6.063	69.240	16.214	47.137	180.104	109.676	29.830	21.816	490.261	45.8
2012	68.921	9.679	21.194	82.901	39.584	9.302	4.824	64.685	12.653	43.307	182.605	112.378	31.510	21.750	500.071	48.0
2013	73.339	9.862	21.048	46.553	3.854	8.621	4.681	63.152	11.809	42.079	184.293	117.039	29.627	21.179	465.437	45.1
2014	72.002	9.023	21.064	46.008	1.463	8.701	5.171	63.339	11.992	42.298	183.443	120.906	24.392	21.738	463.041	44.5
2015	69.895	10.333	22.035	45.568	1.352	8.900	5.154	66.744	12.018	43.547	184.227	125.009	20.590	22.161	468.421	43.3
2016	68.297	9.665	21.504	46.271	-	8.753	5.054	66.508	12.027	43.483	187.211	-	-	-	468.773	41.8
2017	68.895	10.197	22.292	47.296	-	9.038	5.196	68.528	12.435	44.910	190.680	-	-	-	479.466	41.2
2018	69.906	11.744	22.840	47.437	-	9.333	5.421	70.198	12.813	46.010	195.389	-	-	-	491.092	40.6
2019	71.413	11.781	23.610	49.891	-	9.752	5.742	72.409	13.345	47.502	200.388	-	-	-	505.833	40.1



## Tax policy, Revenue



SPAIN	1996	2007	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Revenue/GDP (%)	37.6	40.9	36.2	37.5	38.2	38.6	38.2	38.2	38.3	38.4	38.5
Nominal GDP (y-o-y %)	6.2	7.2	-1.0	-2.6	-1.1	1.0	3.8	3.7	3.7	4.0	4.4
EMU-12	1996	2007	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Revenue/GDP (%)	45.8	44.7	44.9	46.1	46.6	46.8	46.6	46.1	46.0		
Nominal GDP (y-o-y %)	3.5	5.3	2.6	0.3	1.0	1.8	3.0	2.8	3.1		



# Tax policy and domestic demand

## Impact of tax reform (€bn)

Ex ante	2015	2016 (may)	Cumulative 2015-2016
PIT	-4.813	-2.334	-7.147
CIT	-1.089	-353	-1.442
Total	-5.902	-2.687	-8.589

Ex post	2015	2016 (whole year)	Cumulative 2015-2016
PIT	-3.872	-2.577	-6.449
CIT	-871	-1.514	-2.385
Total	-4.743	-4.091	-8.834

Source: Stability Programme 2016.

	2015	2016	2017
Tax reform Impact (GDP pp)	0.34	0.57	0.70

Source: MINHAP. Cumulative. % of GDP growth vs base year.

## General government consolidated revenues (€bn)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016p	2017p	2018p	2019p
Total Taxes	267.610	229.579	198.109	215.266	212.419	218.696	225.128	230.398	242.265	250.723	262.448	276.282	292.675
Taxes on products	112.963	95.762	78.673	95.753	91.032	89.935	96.003	99.226	106.479	112.996	117.710	122.621	127.736
Other taxes on production	11.669	12.359	13.535	14.654	15.481	18.616	19.007	20.083	20.035	21.013	20.832	21.353	21.887
Taxes on income and wealth paid by households and NPISH	86.830	84.843	76.641	80.095	82.851	83.906	83.739	84.502	84.039	86.684	91.651	96.576	103.446
Taxes on income and wealth paid by corporations	50.796	31.766	24.942	20.530	19.159	22.359	21.285	20.891	25.450	23.456	25.826	28.925	32.396
Capital taxes	5.352	4.849	4.318	4.234	3.896	3.880	5.094	5.696	6.262	6.574	6.429	6.807	7.209
Social contributions	136.417	142.049	139.727	138.649	137.802	131.859	128.217	130.063	132.333	136.303	141.210	146.435	151.853
Sales and other current revenue	37.972	40.085	41.971	41.223	41.450	42.897	42.107	41.018	38.717	39.729	40.166	40.166	40.166
General Government consolidated revenues	442.300	409.909	375.628	391.661	387.353	391.168	394.196	401.722	413.456	427.875	445.335	464.450	486.103
"Fiscal burden" (Revenue/GDP)	40.9	36.7	34.8	36.2	36.2	37.5	38.2	38.6	38.2	38.2	38.3	38.4	38.5

Source: IGAE



## Tax revenues performance

Total Tax revenues

(€bn)

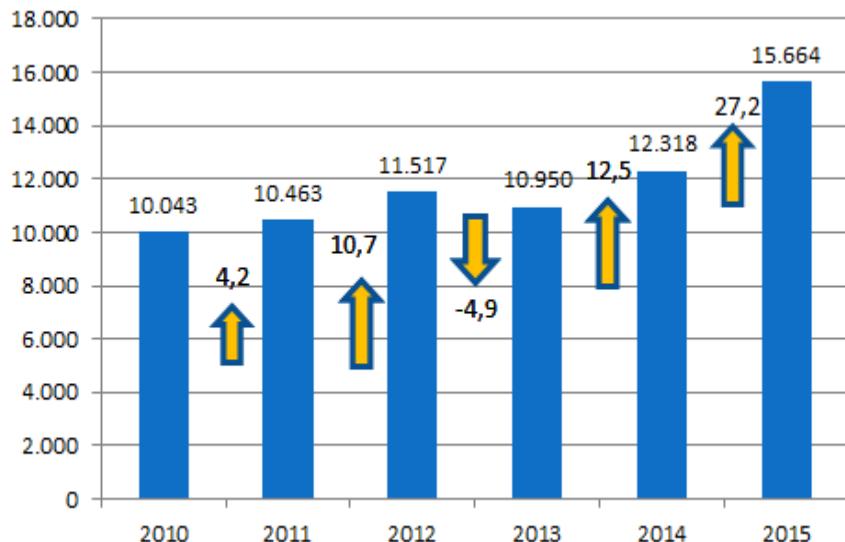
	2007	2011	2012	2013	2014	2015	% Δ 15/14
Personal Income Tax	72.614	69.803	70.619	69.951	72.662	72.346	-0.4%
Corporate Income Tax	44.823	16.611	21.435	19.945	18.713	20.649	10.3%
<i>CIT Instalment payments</i>							
<i>Large corporations and groups</i>	18.070	7.626	11.636	14.692	15.905	16.436	3.3%
<i>SMEs</i>	4.810	1.872	1.758	1.485	1.595	1.835	15.1%
<i>Other</i>	187	136	215	119	-74	177	
<i>Total</i>	23.067	9.634	13.609	16.296	17.426	18.449	5.9%
Other	2.542	2.158	3.027	3.154	3.239	3.759	16.1%
Chapter I.- Direct Taxes	119.979	88.572	95.081	93.050	94.614	96.753	2.3%
Vat	55.851	49.302	50.464	51.931	56.174	60.305	7.4%
Excise Taxes	19.786	18.983	18.210	19.073	19.104	19.147	0.2%
Other	3.224	2.965	2.920	2.721	2.956	3.275	10.8%
Chapter II.- Indirect Taxes	78.861	71.250	71.594	73.725	78.233	82.727	5.7%
Chapter III.- Other Tax revenues	1.836	1.938	1.892	2.073	2.140	2.529	18.2%
<b>Total Tax Revenues</b>	<b>200.676</b>	<b>161.760</b>	<b>168.567</b>	<b>168.847</b>	<b>174.987</b>	<b>182.009</b>	<b>4.0%</b>



# Fight against fiscal fraud

## Form 720: Reporting statement of properties and rights situated abroad

### Fight against fiscal fraud results (M€)



Source: AEAT

Tax year*	Reporting Taxpayers		Value of properties declared (M€)
2015	First-time declared right or property	26,936	13,755
	Right or property previously declared	30,229	45,220
	Right or property revoked or extinct	24,599	15,316
2012-2015	First-time declared right or property	225,507	140,916
2015	Stock	144,029	96,878

## Form 750: Special Tax Return

Tax year*	Num of Taxpayers	Resulting amount payable (€)
2012	29,683	1,193,598,829

\* Year of property possession



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## Tax base developments

Tax base and National Demand (y-o-y % change )



Significant Tax reforms : PIT 1999, 2003 2007; 2008 PIT, CIT; 2010 PIT, VAT; 2012 PIT, CIT,VAT; 2015-2016 PIT, CIT  
PIT ● CIT ● VAT ●

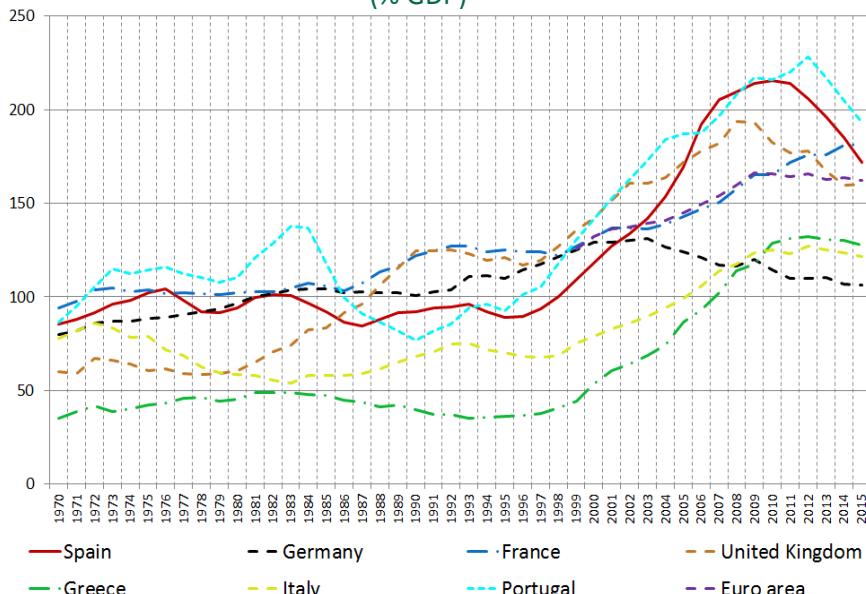
Source: MINECO, MINHAP



# Fiscal policy and deleveraging

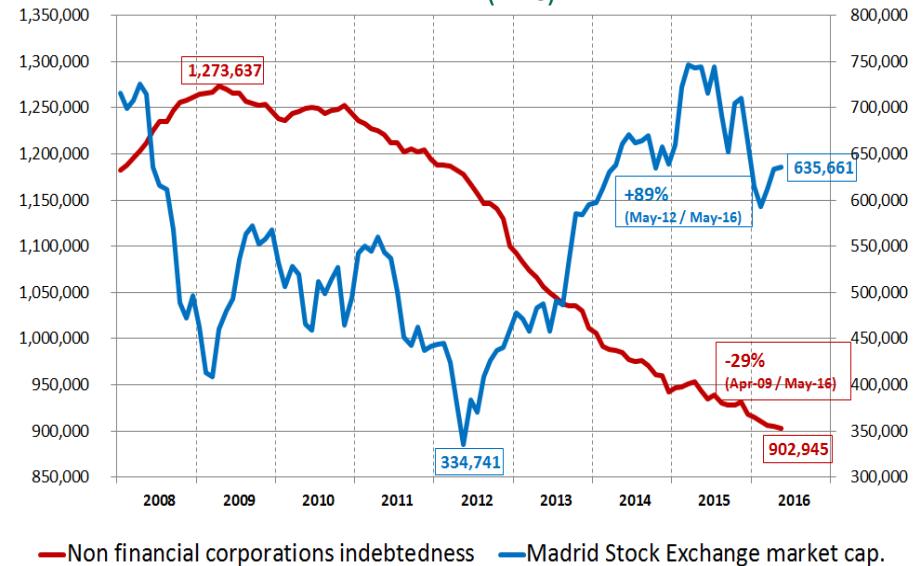
## Indebtedness by country

(% GDP)



## Non Financial corporations

(M €)



Source: Bank for International Settlements.

Source: Banco de España

SPAIN				
Indebtedness(Stocks) (Mill.€)	2011Q4	2015Q4	Dif. M€	Dif. %
Non financial private sector	2,290,905	1,860,898	-430,007	-18.8
- Non financial corporations	1,415,742	1,131,276	-284,466	-20.1
- Households	875,163	729,622	-145,541	-16.6
Madrid Stock Exchange market cap.	442,034	633,453	191,419	43.3

EURO AREA	
Dif. M€	Dif. %
753,790	4.7
726,073	7.3
27,717	0.5

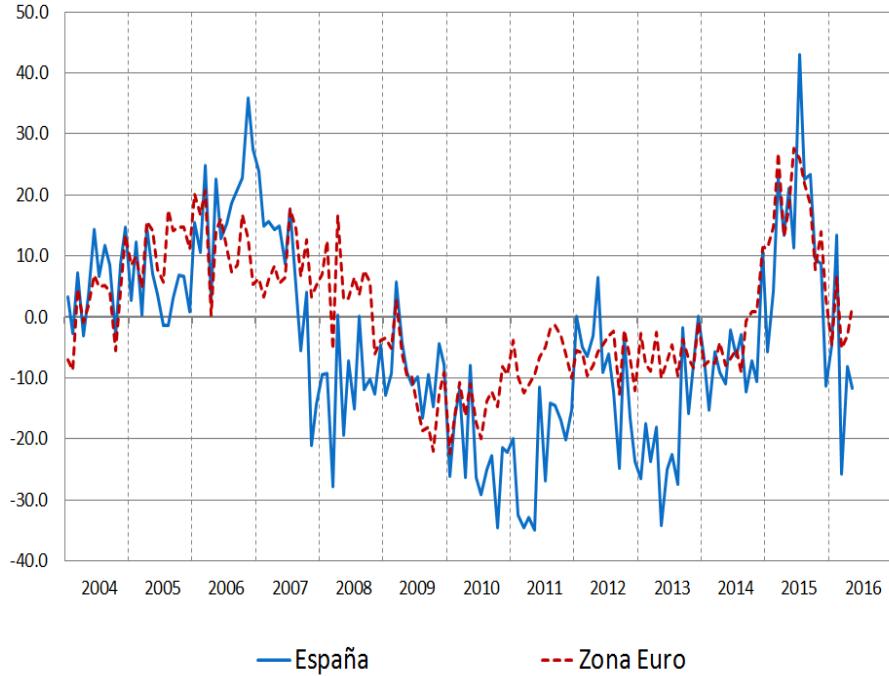


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# Deleveraging, the ECB and credit developments

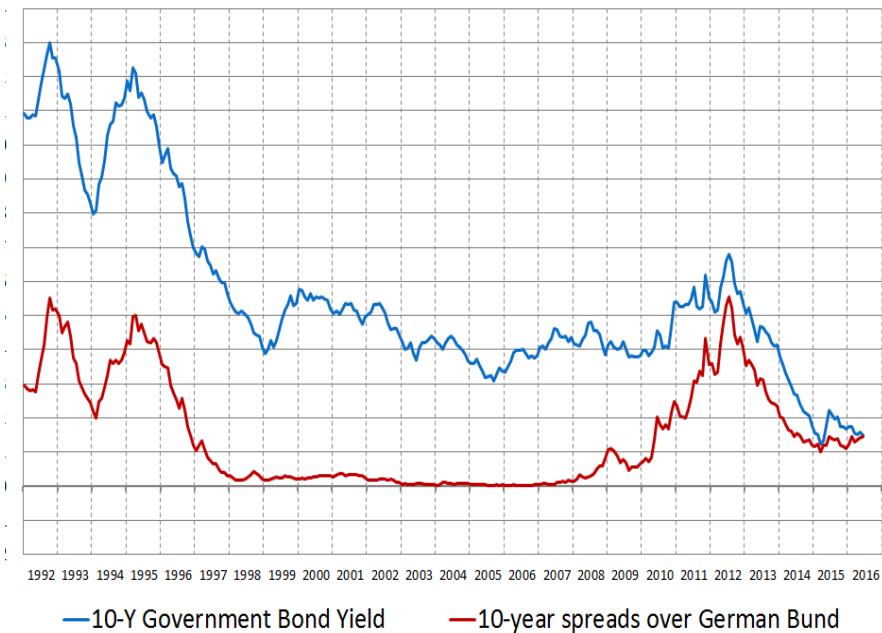
**Loans. New business. Total**  
(y-o-y % change)



Loans. New Business. (y-o-y %)	2011	2012	2013	2014	2015	2016 (Jan-May)
Spain	-23.7	-8.9	-19.0	-6.0	12.3	-8.8
Euro Area	-7.0	-6.7	-6.0	-3.5	16.5	-1.2

Source: Bank of Spain.

**10-Y Government bond yield**  
(monthly average %)

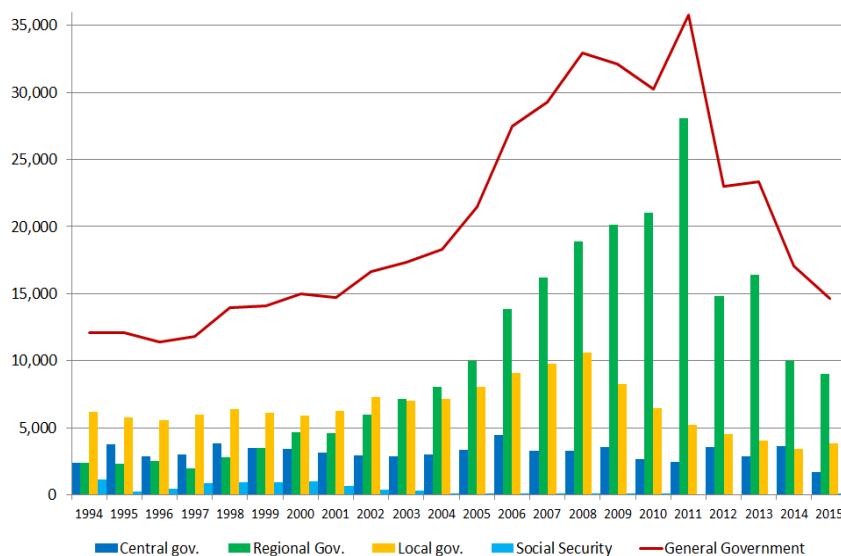


— 10-Y Government Bond Yield      — 10-year spreads over German Bund

	2011	2012	2013	2014	2015	2016 (Jun)
10-Y Government bond yield	5.437	5.847	4.562	2.722	1.735	1.480
10-Y spread over German bond(pp)	2.829	4.352	2.992	1.558	1.235	1.460



### Commercial Debt incurred by Public Administrations (M€)



Source: Banco de España

### Total Liquidity to Regions and Local entities: 210,462 M€

- **70% of the liquidity fund social policies of the Regional and Local Governments**
- **84,597M of the liquidity transferred to public sector suppliers**

## Funding policy : Central Government

### Drivers of public debt growth ( % of GDP)

	2012	2013	2014	2015
General Government debt	85.4	93.7	99.3	99.2
<b>Change in public debt</b>	<b>15.9</b>	<b>8.3</b>	<b>5.6</b>	<b>-0.1</b>
Factors of debt growth :				
Primary deficit	3.8	3.3	2.4	1.9
Interest expenditure	3.0	3.4	3.4	3.1
Financial sector recapitalisation (deficit)	3.7	0.3	0.1	0.1
Financial Funds to territorial gov.	4.3	3.0	3.0	3.4
FADE	0.5	0.7	-0.1	-0.2
EFSF (lending to Greece, Irl. Port)	1.5	0.5	0.1	-0.1
Others	-2.7	-3.9	-2.4	-4.6
Contribution of change in nominal GDP	1.8	1.0	-0.9	-3.7

(% GDP)	2015	2016f	2017f	2018f	2019f
General Government debt	99.2	99.1	99.0	97.9	96.0

Source: MINECO,Bank of Spain.



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# Structural reforms

Reforms 2012

STRUCTURAL REFORMS  
Labour Market  
Health sector  
Education

PUBLIC SECTOR REFORMS

Budgetary framework  
Budgetary Stability Law

FINANCIAL SECTOR REFORMS

Financial Sector  
SAREB

Reforms 2013

Single Market

Energy sector

Entrepreneurs Act

Pension System Reform

Local Administrations Reform

Regulatory Bodies. CNMV

e-invoicing

CORA

New Taxation for entrepreneurs

R+D+i

Commercial debt Act

Average payment period

Recapitalizing

Restructuring

Reforms 2014

Active employment policy  
measures and youth guarantee  
Social Security flat rate

Independent Authority for  
Fiscal Responsibility

New Legal framework for  
Financial Disintermediation

Reforms 2015

Active Policies  
Reduction of S.S. Contributions

Tax Reform

Second Chance Act  
Insolvency Regime



# Budgetary policy, Fiscal balances and stability targets

## Net lending (+)/net borrowing (-) (% GDP)

	Deficit 2011*	Deficit 2012	Deficit 2013	Deficit 2014	Deficit 2015	Target 2015	Target 2016	Target 2017	Target 2018	Target 2019
Central Government	-5.76	-7.92	-4.77	-3.67	-2.61	-	-1.8	-1.5	-1.1	-0.9
Central Government (excluding financial sector assistance)	-5.43	-4.25	-4.48	-3.57	-2.53	-	-1.8	-1.5	-1.1	-0.9
Financial sector assistance	-0.33	-3.67	-0.29	-0.10	-0.08	-				
Regional Governments	-3.35	-1.86	-1.57	-1.75	-1.66	-	-0.7	-0.5	-0.3	0.0
Local Governments	-0.40	0.32	0.55	0.57	0.44	-	0.0	0.0	0.0	0.0
Social Security	-0.10	-0.98	-1.12	-1.04	-1.26	-	-1.1	-0.9	-0.8	-0.7
General Government (including financial assistance)	-9.61	-10.44	-6.91	-5.89	-5.08	-	-3.6	-2.9	-2.2	-1.6
General Government (excluding financial assistance)	-9.29	-6.77	-6.62	-5.79	-5.00	-4.2	-3.6	-2.9	-2.2	-1.6

\*2011 Excluding 2009 Settlements of the territorial financing system.

Source: IGAE, MINHAP ("One off").

Main one-off 2015 (M€)	
PPPs	-2,033
Hepatitis C	-1,094
Guarantees	-200
Restitution of the Christmas bonus 2012 (net)	-1,930
UMTS auction	1,643
Flat rate and minimun exempt	-925



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## Budgetary policy, Fiscal balances and stability targets

**Net lending (+)/net borrowing (-) in terms of stability targets compliance (% GDP)**

	2011	Targ.	2012	Targ.	2013	Targ.	2014	Targ. ECOFIN	Targ. SP	2015	Targ. SP	Stability targets			
												2016	2017	2018	2019
Central Government	-5.43	-4.8	-4.25	-3.5	-4.48	-3.8	-3.57		-3.5	-2.53	-2.9	-1.8	-1.5	-1.1	-0.9
Regional Governments	-3.35	-1.3	-1.86	-1.5	-1.57	-1.3	-1.75		-1.0	-1.66	-0.7	-0.7	-0.5	-0.3	0.0
Local Governments	-0.40	-0.3	0.32	-0.3	0.55	0.0	0.57		0.0	0.44	0.0	0.0	0.0	0.0	0.0
Social Security	-0.10	0.4	-0.98	-1.0	-1.12	-1.4	-1.04		-1.0	-1.26	-0.6	-1.1	-0.9	-0.8	-0.7
<b>General Government</b>	<b>-9.29</b>	<b>-6.0</b>	<b>-6.77</b>	<b>-6.3</b>	<b>-6.62</b>	<b>-6.5</b>	<b>-5.79</b>	<b>-5.8</b>	<b>-5.5</b>	<b>-5.00</b>	<b>-4.2</b>	<b>-3.6</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-1.6</b>

Fuente: IGAE, MINHAP. Excluding 2009 Settlements of the regional financing system for 2011

Stability target compliance: 2011 non compliance. 2012 effective action is taken even if the nominal target is not met (fiscal effort). 2013 fiscal effort met. 2014 ECOFIN council target met (excluding financial assistance). 2015 non compliance.

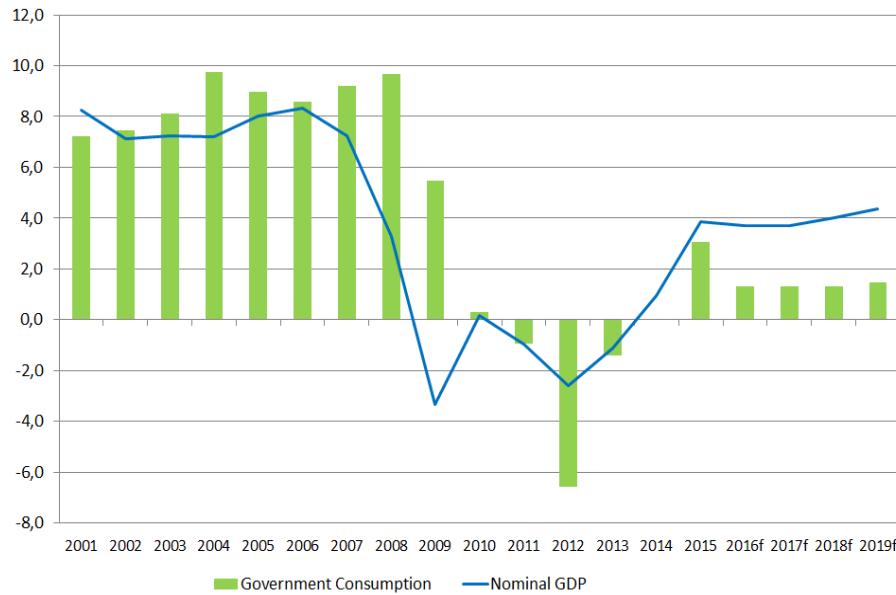


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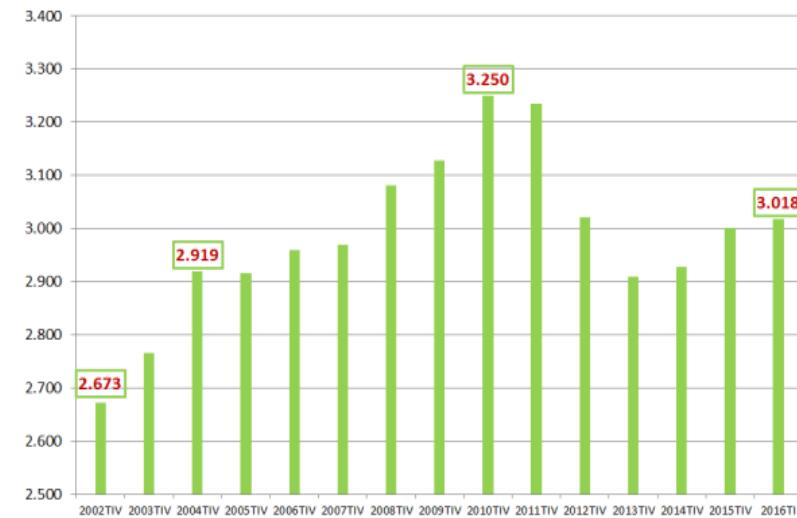
# Budgetary policy and expenditure by economic classification

Government consumption (y-o-y %)



Source: INE (current prices), MINHAP.

Public sector employees (millions)



Source: INE, LFS IQ 2016.

General Government (BN€)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016f	2017f	2018f	2019f
Government consumption	191,042	209,521	221,028	221,715	219,673	205,236	202,373	202,437	208,670	211,389	214,145	216,938	220,094
Compensation of employees	107,445	118,136	125,564	124,884	122,601	113,925	114,711	114,938	118,699	121,884	125,083	129,134	133,225
Interest	16,892	17,256	18,348	20,248	26,315	30,922	34,669	35,291	33,122	31,963	31,323	31,167	31,011
Gross capital formation	49,467	51,496	55,142	50,662	39,649	25,901	22,795	21,834	26,476	22,609	24,207	25,241	29,028

Source: INE, IGAE, MINHAP

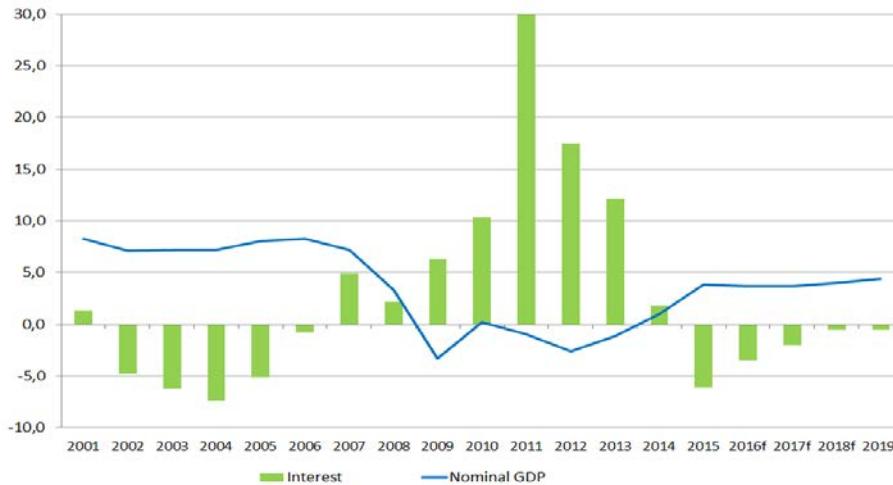


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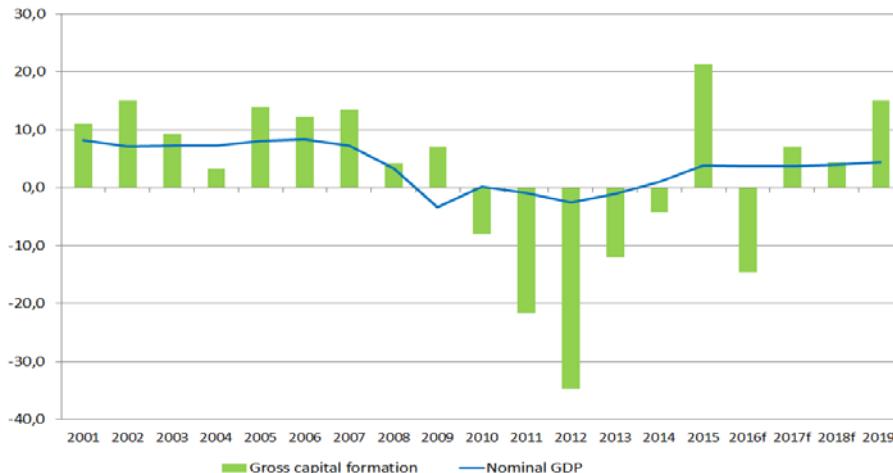
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# Budgetary policy and expenditure by economic classification

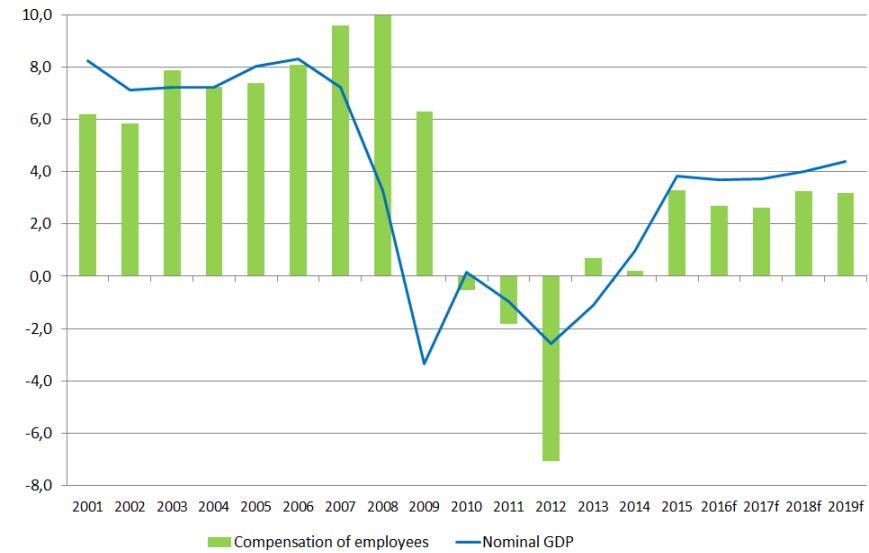
Interest (y-o-y %)



Gross capital formation (y-o-y %)



Compensation of employees  
(y-o-y %)





# Budgetary policy and expenditure by economic classification

## Expenditure General Government (% GDP)

SPAIN

General Government (%GDP)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016f	2017f	2018f	2019f
Public consumption	17.7	18.8	20.5	20.5	20.5	19.7	19.6	19.4	19.3	18.9	18.4	17.9	17.4
Compensation of employees	9.9	10.6	11.6	11.6	11.5	10.9	11.1	11.0	11.0	10.9	10.8	10.7	10.6
Intermediate Consumption	5.0	5.3	5.7	5.6	5.7	5.6	5.3	5.3	5.2	4.9	4.8	4.7	4.6
Social Transfers in kind	2.4	2.6	2.9	2.9	2.9	2.7	2.7	2.7	2.6	2.6	2.5	2.4	2.4
Social Transfers paid	11.5	12.3	14.4	15.1	15.3	16.2	16.5	16.4	15.8	15.5	15.2	14.9	14.7
Interest	1.6	1.5	1.7	1.9	2.5	3.0	3.4	3.4	3.1	2.9	2.7	2.6	2.5
Subsidies	1.1	1.1	1.2	1.1	1.1	1.0	1.1	1.1	1.2	1.1	1.1	1.0	1.0
Other current expenditure	1.6	1.8	1.9	1.7	1.8	1.7	1.7	1.7	1.5	1.5	1.5	1.5	1.4
Gross fixed capital formation	4.6	4.6	5.1	4.7	3.7	2.5	2.2	2.1	2.4	2.0	2.1	2.1	2.3
Expenditure (excluding other capital expenditure)	37.6	39.8	44.5	44.5	44.0	39.7	43.7	43.5	42.7	41.3	40.6	40.0	39.4

EURO AREA-19

General Government (%GDP)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016f	2017f	2018f	2019f
Public consumption	19.5	20.0	21.7	21.4	21.0	21.0	21.1	21.1	20.8	20.7	20.6		
Compensation of employees	9.9	10.1	10.9	10.7	10.5	10.4	10.4	10.3	10.2	10.1	9.9		
Intermediate Consumption	4.8	5.0	5.4	5.4	5.3	5.4	5.4	5.3	5.2	5.2	5.2		
Social Transfers in kind	4.9	5.1	5.6	5.5	5.5	5.6	5.7	5.7	5.8	5.8	5.8		
Social Transfers paid	15.1	15.4	17.0	17.0	16.7	17.1	17.3	17.3	17.2	17.1	17.0		
Interest	2.9	2.9	2.8	2.8	3.0	3.0	2.8	2.7	2.4	2.3	2.2		
Subsidies	1.2	1.2	1.5	1.4	1.4	1.3	1.4	1.5	1.5	1.5	1.5		
Other current expenditure	2.2	2.3	2.5	2.5	2.4	2.5	2.6	2.5	2.4	2.5	2.4		
Gross fixed capital formation	3.2	3.3	3.6	3.4	3.1	2.9	2.8	2.7	2.7	2.7	2.7		
Expenditure (excluding other capital expenditure)	44.2	45.3	49.3	48.7	47.9	48.1	48.3	48.1	47.4	47.1	46.7		



## Fiscal balances

**Net lending (+)/net borrowing (-)**  
(Million €; %GDP)

	Apr 15	Apr 16	Apr 16-15	Apr 16/15	% GDP	Change p.p
	Million €			y-o-y %		
Central Government	-11,148	-12,830	-1,682	15.1	-1.03	-0.11
Regional Governments	-3,724	-2,624	1,1	-29.5	-0.34	0.11
Social Security	3,187	1,642	-1,545	-48.5	0.29	-0.15
<b>Balance General Gov.*</b>	<b>-11,685</b>	<b>-13,812</b>	<b>-2,127</b>	<b>18.2</b>	<b>-1.08</b>	<b>-0.15</b>
<b>Revenue General Gov.</b>	120,321	119,515	-806	-0.7	11.1	-0.47
<b>Expenditure General Gov</b>	132,006	133,375	1,369	1.0	12.2	-0.31

(\* )General Government excluding Local governments. Central gov. with -48M€ financial assistance in 2016

	Q1 2015	Q1 2016	Q1 16-15	Q4 16/15	% GDP	Change p.p
	Million €			y-o-y %		
Local Gov. Balance	990	662	-328	-33,1	0.09	-0.03

	may-15	may-16	May 16-15	May 16/15	% GDP	Change p.p
	Million €			y-o-y %		
<b>State Balance (Estado)</b>	<b>-22,094</b>	<b>-23,301</b>	<b>-1,207</b>	<b>5.5</b>	<b>-2.04</b>	<b>-0.03</b>
State revenue	62,549	58,899	-3,65	-5.8	5.79	-0.53
State expenditure	84,643	82,200	-2,443	-2.9	7.83	-0.50
<i>Primary balance</i>	-9,742	-11,636	-1,894	19.4	-0.90	-0,14



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## Tax bases and revenues

% change (y-o- y)	2011	2012	2013	2014	2015	2016f
<b>Tax bases</b>						
· On income	-1.4	-3.1	0.7	1.3	1.0	4.4
· Gross household income	0.4	-4.4	-1.3	0.3	2.8	3.3
· Corporate income tax base	-15.2	8.0	16.5	8.2	-10.2	11.5
· On expenditure	-4.3	-3.4	-6.0	3.7	3.4	2.9
· Final expenditure subject to VAT	-5.8	-4.5	-6.1	4.9	4.9	4.4
· Consumption subject to excise duties	4.0	1.7	-5.6	-1.9	-4.0	-5.4
Total tax bases on income and expenditure	-2.7	-3.2	-2.2	2.3	2.0	3.7

AEAT (cash) (M€)	% Δ Jan-Aug 2015	% Δ Jan-Sep 2015	% Δ Jan-Oct 2015	% Δ Jan-Nov 2015	% Δ Jan-Dec 2016	% Δ Jan 2016	% Δ Jan-Feb 2016	% Δ Jan-Mar 2016	% Δ Jan-Apr 2016	Δ Jan-May 2016
<b>Tax revenue</b>										
- VAT SMEs (Gross)	11.4	11.5	11.6	11.5	11.5	-	8.1	7.9	7.8	7.7
- Income tax Instalment payments of Personal enterprises	12.6	12.6	12.9	12.7	12.7	-6.7	14.2	14.1	14.3	13.5

Source: AEAT



## Economic indicators of the Spanish Fiscal Agency (AEAT)

Sales, Employment and wages in large companies to constant population.										
	2011	2012	2013	2014	2015	Jan-16	Feb-16	Mar-16	Apr-16	May-16
<b>Sales, calendar adjusted and deflated</b>										
Total sales	-3.4	-6.0	-2.9	2.4	5.0	1.7	2.7	0.5	4.4	2.6
-Exports	7.1	0.6	2.2	5.0	6.5	1.9	4.5	-3.0	2.6	3.9
-Imports	5.9	-7.8	1.5	10.0	8.5	10.4	1.2	8.6	8.2	5.3
* Domestic sales	-5.5	-7.4	-4.1	1.7	4.6	1.6	2.1	1.6	4.9	2.2
- Consumer goods and services	-3.9	-5.2	-0.8	1.9	6.0	5.1	7.5	3.5	7.2	5.0
Goods	-4.0	-5.0	-1.5	2.1	7.1	7.2	7.7	4.8	6.8	6.7
Services	-3.7	-5.5	0.4	1.6	3.5	0.1	6.8	0.5	8.0	1.1
- Capital goods and services	-15.8	-19.5	-21.8	1.0	4.6	1.8	0.3	1.8	3.3	1.0
Equipment and software	-5.1	-9.8	-7.0	3.8	4.8	4.2	2.0	4.6	7.8	4.1
Construction and property development	-24.0	-28.6	-38.7	-3.2	4.2	-2.0	-2.3	-2.1	-3.7	-3.7
- Intermediates	-4.3	-6.3	-2.7	1.7	4.3	0.7	1.2	1.2	4.5	1.7
<b>Employment and wages</b>										
Employment income earners	-0.3	-3.3	-2.3	1.2	3.1	3.6	3.7	3.3	3.6	2.5
Average gross earnings	1.3	-0.3	0.1	-0.4	0.5	0.0	1.0	0.3	1.3	1.4

Source: AEAT.



# Public Sector Reform

## Accountability

Expenditure rule, debt ceiling and target deficit of all levels of government.

Reduced risk of breaching rules by the follow-up procedure of the Payments to Suppliers

General State Controller provided with new instruments (adjustment plans and Treasury adjustment), in exchange for liquidity (Liquidity mechanisms).

Budgetary control reinforced by mutualisation of the Regional and Local government's debt.

Independent assessment of effective compliance of the budget stability principle (AIREF).

Recovery of the Local government civil servants with national qualification.

Local Entities competences are limited depending on the financial resources at their disposal.

New regime includes new criminal offenses (penal code reform) and administrative (Transparency Law).

## Transparency

Monthly reporting on the budgetary execution.

Publication of the Economic and Financial rebalancing plans.

Institutionalization of national accounts compiling. (Technical Committee of National Accounts).

Providing new information such as: period of payment to suppliers, Treasury plans, staff, health expenditure, Public sector bodies ...

Sanctions regime derived from the non compliance with the provision of information.