MINISTRY
OF FINANCE
AND PUBLIC ADMINISTRATIONS

PRESS OFFICE

Press release

Full debate in Congress

Montoro: “This austere Budget is the key to getting out of the crisis and means 2013 will be the last year of recession in Spain”

- The most socially oriented Budget in the history of democratic Spain, with 63.6% devoted to social purposes
- 2012 will see a fundamental change: this will be the first year since the crisis began where the Budget is adhered to
- Budget compliance and structural reforms will bring a new scenario, a better funded economy
- He announced that the State deficit on a comparable basis up to September was 3.9% of GDP, the first month in which it fell
- Income grew by 15.7% in September, showing that the sacrifices made by everyone in Spain are having the desired effect
- Corporation Tax collected from January to September increased 4.1%, and income tax by 2.9%
- The balance of payments is closer to equilibrium thanks to the structural reforms
- Total pensions will increase by 1%, while spending will be maintained on R&D&i

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23 October 2012. The 2013 State Budget will make it possible to contribute to improving funding conditions, and that it will be the last of the recession and the first to open the door to growth, and thus, the way out of the crisis. This was the statement by the Minister for Finance and Public Administrations, Cristóbal Montoro, in the full debate on the 2013 State Budget in Congress.

He indicated that next year's Budget will be an additional step towards reducing the public deficit, extending the good results of 2012. Montoro stated firmly that this year we will meet our deficit targets, and next year too. "The data show that we are meeting the deficit targets we have set, that our efforts have not been in vain, and we are going to meet our goals, because we can and we must," the minister said.

He revealed that the State deficit in comparable terms up to the end of September was 41.321 billion euros, the equivalent of 3.93% of GDP, a consistent figure ensuring that fiscal consolidation commitments can be fulfilled.

During his address to Congress, the minister emphasised that reducing the structural public deficit is vital in order to halt the growth of public debt as soon as possible, given the conviction that we cannot fund services with public debt or spend more than we earn.

Thus, at the end of 2013, the State Budget will have halved the public deficit which had reached 11% of GDP in previous governments, and in 2014 the goals set by the European Fiscal Compact will be reached.

Structural reforms

The 2013 Budget will not stand alone but will be accompanied by an ambitious programme of structural reforms designed to facilitate the economic activity of companies and families, and to increase and improve financial and human resources, strengthening competitiveness, while making progress on reforming government bodies and other public sector organisations and companies.

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Here he emphasised the approval and implementation this year of the Budget Stability Act, which has been extended to the Autonomous Regions and to local Governments. Others are the Labour Reform, the overhaul of the financial sector, and various measures basically designed to increase competitiveness.

In the light of the latest data, the balance of payments is close to equilibrium, thanks to a deleveraging process and the structural reforms.

In this context, the minister indicated that the 2013 State Budget is austere so that the budgetary savings produced by reducing the deficit, as well as raising the confidence of economic operators, will increase funding for companies and become an additional factor for growth and job creation.

Thus, budgetary austerity and improved public and private funding, a surplus in the balance of payments and the structural reforms will mark the way out of the crisis in 2014, making 2013 the last year of recession in Spain.

Social budget

The 2013 State Budget concentrates most of its resources on funding healthcare, education, pensions, unemployment benefits, social services and interest payments on the debt, so that more than 60% of total public spending will be social, or precisely 63.6%.

According to next year's Budget, State spending will be 7.3% lower than in 2012, at 80.317 billion euros. Excluding unavoidable items such as state pensions, transfers to the European Union and contributions to the Public Employment Service, which in 2013 will amount to 10.341 billion euros, spending by government ministries will be 39.722 billion euros, 8.9% lower than the previous year.

Budget compliance by the State and the Autonomous Regions

The 2013 Budget contains a firm commitment to reduce the Government deficit as a whole to 4.5% of GDP, compared to the 6.3% forecast for the close of 2012, to which aid to the financial sector must be added. The Central Administration and Social Security will reduce their deficit to 3.8%, the Autonomous Regions will have to reach a deficit target of 0.7%, while Local Corporations will need to have a 0% deficit by the end of 2013.

The data available to date confirm that the 2012 targets are being met, the first year since the crisis began that compliance has been achieved with budgetary provisions for earnings and spending. This compliance is also the ideal starting point for meeting Budget targets next year.

In September State income increased by 15.7% compared to the same month in 2011, showing that the sacrifices made by all Spain's citizens are having the desired result.

In comparable tax figures, the cumulative Corporation Tax collected from January to September increased by 4.1%, while Income Tax increased by 2.9%.

The Tax Agency is making a major effort to combat tax fraud and the black economy, with the help of bills currently being processed in Parliament (reform of the Penal Code and laws against fiscal and employment fraud). The good results of the Tax Agency in the year so far attest to these efforts.

The Autonomous Regions are also meeting their consolidation targets, having presented a deficit of 8.063 billion euros up to June (-0.77% of GDP). In comparable terms, the deficit of the Autonomous Regions would be -9.823 billion euros (0.93% of GDP), in line with the target of -1.5% for 2012. In comparison, for the same period last year, the Autonomous Regions presented a deficit of 17.414 billion euros (-1.64% of GDP), 53.70% higher than in 2012.

In 2012 the structural deficit is down by 3.5% of GDP

To summarise, in 2012 we will meet the public deficit target set. The planned fiscal consolidation means a primary structural adjustment, that is, discounting the impact of the cycle and the burden of interest of 3.5% of GDP.

The Minister for Finance and Public Administrations highlighted the extreme difficulty of taking such a major step towards fiscal consolidation in 2012, a year of recession, in which we have also had to deal with unemployment in the millions, an external debt of unmanageable size, and the public coffers lacking money and credibility.

He underlined that reducing the structural public deficit is vital in order to halt the growth of the public debt as soon as possible. "We cannot fund public services with the public debt, nor spend more than we earn in general", Montoro said.

In 2012 the Government has asked the Spanish people to make a considerable effort, which is proving worthwhile, and we are approaching the end of the crisis thanks to the efforts of everyone.

Pensions increase by 1%

Spending on pensions will increase by 4.9% compared to 2012, to 121.557 billion euros, including a 1% increase on all pensions. The State's contributions to funding non-contributory benefits will amount to 6.662 billion euros.

The State's personnel costs will drop by 3.9% to 15.615 billion euros as a result of freezing public sector salaries and new public sector recruitment, with the exception of certain sensitive areas such as hospital staff, teachers, security, fraud prevention and fire fighting which will have a 10% replacement rate. Researchers and those working to promote international growth will also have a 10% replacement rate.

Public sector workers are guaranteed two additional payments in 2013

Expenditure items

Among the main expenditure items, the priority for avoiding changes in economic development from 2012 is civil R&D, which maintains a budget of 5.563 billion euros.

There will be further cuts in subsidies to unions, political parties and business organisations, which will be 20% lower; other priority policies such as public security and prisons will be reduced by 5.4% to 7.903 billion euros, and the Justice system, cut by 4.3% to 1.543 billion euros, contributing to the budget stabilisation process.

Contributions to the most important university and non-university grants, together with compensation for Universities, will rise by 2.4% to 1.163 billion euros, 23 million euros higher than in 2012.

Infrastructure credit will fall by 934 million euros (-13.5%). The policy of reducing capital transfers to public companies will continue. The State's contribution to Corporación RTVE will be reduced by 50 million euros, a fall of 15%. In total, the Government's contributions to RTVE will fall by 254 million euros in 2012 and 2013.

Revenues

Total non-financial revenues for 2013 after allocations to Territorial Authorities (local and regional) will amount to 124.044 billion euros, a 4% increase on the 2012 Budget.

Income tax revenues before transfers to Territorial Entities will rise to 174.099 billion euros, up 3.8% on the 2012 Budget. Revenues from personal income tax will increase by 1.5% to 74.215 billion euros, whilst Corporation Tax revenue will decrease by 2.8% to 19.012 billion euros.

Measures put in place by the Government will see revenues from VAT rise by 14.6% to 54.657 billion euros, while revenues from Excise Duties will grow by 8.3% to 19.956 billion euros.