



Budget implementation

The State deficit was down to 3.93% in September and is likely to meet the target for the year

- In comparable national accounting terms, it is down from 4.26% to 3.93% of GDP, i.e., taking into account early transfers to other government bodies and higher tax rebate rates
- In terms of non-comparable national accounts, it is also down from 4.77% to 4.39% of GDP, in line to comply with the deficit target
- Non-financial State earnings are behaving as predicted and grew 21.7% from January to September compared to the year before
- VAT collection in September, in year-on-year terms, increased by 11.9% to 6.526 billion euros
- The forecast scenario is confirmed. The impact of the measures approved by the Government is concentrated in the last quarters of the year, and as confirmed by the figures for September, it is having a positive effect on controlling the State deficit

30 October 2012. The State Secretary for Budgets and Public Spending, Marta Fernández Currás, announced today that the State deficit had been reduced in September. The figures published today confirm the positive impact of the measures approved by the Government on the control of the State deficit. Most of the measures approved by the Executive were concentrated in the last quarters of the year, and this is when their contribution to consolidating the public deficit will be tested. In the regular

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press conference on budget execution data, Fernández Currás affirmed that “the State deficit is under control”.

This statement allows us to conclude that the State deficit is behaving according to the forecasts of the Executive and it is on the right path to reaching the targets set for the end of the year.

The State Secretary confirmed that the State deficit in comparable terms, i.e., taking into account early transfers of funds to other government bodies and higher tax rebates, fell in September to 3.93% of GDP, 41.321 billion euros, for the first time since March.

The same trend can be seen in the deficit measured in terms of non-comparable national accounting, which is 46.113 billion euros, the equivalent of 4.39% of GDP, compared to the 4.77% seen in August.

Over the course of this year the State accounts have been affected by earlier tax rebates than in more typical years, and larger transfers of funds to other government bodies, such as the Autonomous Regions and Social Security. This is an impact on the deficit which, as predicted, is being corrected as the year advances and the adjustment measures approved by the Government come into force.

For this reason, in order to make like-for-like year-on-year comparisons possible, standardised implementation figures are published every month.

In cash terms, the methodology which considers earnings and payments when they have actually taken place, the deficit now stands at 34.653 billion euros, 3.30% of GDP, compared to 3.73% last month. If this figure is standardised, the cash deficit would stand at 25.589 billion euros, 2.44% of GDP.

Fernández Currás considers that it is “from this last quarter of the year that the reduction in the deficit will become more obvious, now that the measures adopted by the Government to meet the target set for the end of the year are having an effect on collection and the execution of spending”. “We are on the right track and this is shown by the figures for September”.

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However, the State Secretary considers that this positive development “cannot lead to a relaxation of the fiscal policy. It is important to continue making efforts to reduce the deficit in the rest of the year”.

Non-financial revenues

Total non-financial income for the first nine months of the year, before deducting the regional governments' share of income tax, VAT and excise duties, totalled 156.377 billion euros, representing an increase of 21.7% in year-on-year terms.

Tax revenues to September were 116.356 billion euros, a decrease of 2%, an improvement on the 4.5% seen in August. However, this rate is reduced to 1.1% in comparable terms after correcting for early rebates.

This trend is determined on one hand by the measures leading to greater collection, a consequence of the fiscal consolidation measures, which have generated an increase in collection up to September of 1.355 billion euros, together with revenue from deferred instalments from previous years and control activities, which contribute nearly 1.8 billion euros. On the other hand, they are affected by decreases in taxable bases due to the current economic situation.

Revenues from personal income tax totalled 52.312 billion euros, 1.6% more than a year ago. In standardised terms, growth up to September reached 2.9%, remaining at the same rate as the previous month.

There was a positive impact from collection for work withholdings which reached 2.045 billion euros, and increased collection on withholdings on investments, raising collection by 441 million euros.

Income from Corporate Tax up to September fell by 3.6% due to more rapid rebates. Because of this, in comparable terms revenue from this tax grew by 4.1%, practically the same as last year. The forecast is for this evolution to improve by the end of the year.

Indirect tax collection stood at 52.107 billion euros, a fall of 5.0%.

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VAT collection reached 36.115 billion euros, representing a moderation of its decrease to 5.3%, a decrease which has been slowing month by month if we take into account that the first part of the year saw reductions of 10%, and indeed, 8.4% in the previous month. Revenue from this tax in September, in year-on-year terms, increased by 11.9% to 6.526 billion euros.

The cumulative collection of Special Taxes up to September reached 13.785 billion, with a reduction of 4.8%, the same as in August. Income from Tobacco Work in September was also down by 4.8%. Fuel Tax fell less than in previous months, with a cumulative fall of 7%. The Special Electricity Tax showed a large increase of 8.8%, while the Special Alcohol Tax was down by 3.2% and tax on beer was up by 0.5%.

Non-financial payments

Overall in the first nine months of the year, non-financial payments amounted to 114.738 billion euros, representing an increase of 9.1%, primarily due to the definitive settlement of the funding system of regional and local authorities, as well as earlier transfers to Social Security and the European Union. This was also influenced by the 3.069 billion euro rise in financial costs.

Workers' pay and salaries up to September saw a decrease of 1.6% to a total of 9.993 billion euros.

Interest payments on debt to September grew by 17.4% to a total of 20.734 billion euros, a figure which continues to evolve according to the size of the debt, the evolution of interest rates and the repayment schedule.

Current transfer payments have increased from 54.005 billion euros in 2011 to 66.287 billion euros in 2012. Of this total, 19.552 billion corresponds to the autonomous regions, in other words 8.858 billion more than a year ago.

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Payments for real investments fell by 29.4% to a total of 3.178 billion euros.

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Page 5 of 5

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