

Spanish deficit over GDP, 2009-16

Net Lending(+)/Borrowing. (% of GDP. Excl. Financial Sector One-Offs)								
	2009	2010	2011	2012	2013	2014	2015	2016
Central Government	-9.2	-5.5	-5.4	-4.3	-4.5	-3.6	-2.6	-2.52
Autonomous Regions	-2.0	-3.2	-3.4	-1.9	-1.6	-1.8	-1.7	-0.82
Local Governments	-0.5	-0.5	-0.4	0.3	0.6	0.5	0.5	0.64
Social Security Administrations	0.7	-0.2	-0.1	-1.0	-1.1	-1.0	-1.2	-1.62
General Government	-11.0	-9.5	-9.3	-6.8	-6.7	-5.9	-5.1	-4.33

www.thespanisheconomy.com/stfls/tse/ficheros/2014/170407_Kingdom_of_Spain.pdf

Fiscal policy rules

- Golden rule of fiscal policy: the government should borrow to invest, not to fund current expenditure.
- Golden rule of budget stability, expressed in the form of a constitutional limit to public deficit.
- Balanced budget amendment. Spain amended in September 2011 its 1978 constitution (the second constitutional amendment in 33 years) to set the structural deficit (the deficit independent of the business cycle) not above 0.4% of GDP from 2020 and to give priority to debt repayment.

Budgetary stability in the constitution

- “All Public Administrations shall adapt their actions to the principle of budgetary stability.” Art. 135.1, Spanish Constitution of 1978
- “Neither the State nor the Autonomous Communities shall enter into a structural deficit beyond the limits stipulated, if applicable, by the European Union for its Member States. An organic law shall set the structural deficit ceiling allowed for the State and for the Autonomous Communities according to their GDP. Local Authorities shall present a balanced budget.” Art. 135.2

Budgetary stability in the constitution

- “The State and the Autonomous Communities shall have to be authorised by law to issue public debt or to enter into borrowing commitments.
- Loans to cover the interest and capital of the Administrations’ public debt shall always be understood to be included in the expenditure statement of their budgets and repayment of the same shall be awarded utmost priority. These loans may not be amended or modified provided that they comply with the conditions set forth in the issue law.” Art. 135.3, Spanish Constitution of 1978.

http://www.congreso.es/constitucion/ficheros/c78/cons_ingl.pdf

Budgetary stability in the constitution

- “The volume of public debt for all the Public Administrations as a whole as a ratio of the State’s GDP shall not surpass the benchmark figure set forth in the Treaty on the Functioning of the European Union.” Art. 135.3
- “Ceilings on structural deficit and public debt volume may only be overrun in the event of natural catastrophes, economic recession or situations of extraordinary emergency which are beyond the State’s control...” Art. 135.4, Spanish Constitution of 1978.

http://www.congreso.es/constitucion/ficheros/c78/cons_ingl.pdf

Spanish spending rule ('regla de gasto')

- The Spanish law 2/2012, from the 27 of April, on budget stability and financial sustainability states that annual public expenditure cannot grow above the rate of growth of nominal GDP in the medium run, except in the increase can be financed by additional permanent revenue (art. 12).

<http://www.boe.es/buscar/act.php?id=BOE-A-2012-5730>

<https://www.airef.es/es/contenidos/noticias/436-quieres-conocer-la-regla-de-gasto>

- The Spanish public deficit target for 2017 is 3.1% of GDP.

Spanish spending ceiling ('techo de gasto')

- The Spanish spending ceiling is one of the mechanisms to achieve budget stability. It is the maximum amount of non-financial spending available to all the public administrations.
- It is calculated every year from the executed budget of the previous year.
- The ceiling was €123,394 million in 2016, a 4.4% less with respect the 2015 ceiling. The ceiling for 2017 is €118,337 million.

http://economia.elpais.com/economia/2016/11/23/actualidad/1479904160_465048.html
<http://www.heraldo.es/noticias/economia/2016/12/02/el-techo-gasto-2017-sera-118-337-millones-igual-que-cierre-2016-1146043-309.html>

Public debt ceiling

- The Spanish law 2/2012, from the 27 of April, on budget stability and financial sustainability holds that the amount of public debt outstanding cannot be above 60% of nominal GDP (art. 13).

<http://www.boe.es/buscar/act.php?id=BOE-A-2012-5730>

- 44% of the limit is attributed to the national administration, 13% to regional administrations, and 3% to local administrations.
- Interest payments and debt capital repayments have absolute priority with respect any other expenditure (art. 14).