



The Spanish Government approves the Draft Budgetary Plan and the new macroeconomic scenario to be sent to the European Commission

- The Government foresees a reduction of public deficit by 0.9 percentage points to 1.8% of GDP in 2019, representing a structural effort of 0.4 pp.
- Spain will achieve in 2019 a primary surplus for the first time since 2007 and public debt to GDP will fall in 2018 and 2019 twice as much as in the three previous years
- The new macroeconomic scenario presents a slight downward revision of 0.1% of GDP growth for 2018 and 2019

Madrid, October the 15th 2018. The Spanish Government has approved the Draft Budgetary Plan and the new macroeconomic scenario that will be sent to the European Commission today. The Ministers for Economy and Business, Nadia Calviño, and Finance, M^a Jesús Montero, have presented the document at a press conference in Madrid.

Nadia Calviño pointed out that the draft Budgetary Plan will allow Spain to achieve three basic goals: fiscal discipline -for the first time, deficit reduction will not be the sole product of the economic cycle but also of government action-; regaining a redistributing fiscal policy for the citizens to rebuild social cohesion after the long crisis and invest in human capital, and maintain the long-term sustainability of the economy.

Public deficit will be reduced 0.9% to reach 1.8% of GDP in 2019

The new macroeconomic scenario presented in the Draft Budgetary Plan that the Government will send to Brussels foresees a reduction of the public deficit by 0.9% to 1.8% of GDP in 2019. This reduction will allow Spain to achieve a primary surplus next year of around 0.5% of GDP, for the first time since 2007.

As a result, public debt will fall in 2018 and 2019 twice as much as in the previous three years, from 98.1% at the end of 2018 to 95.5% next year.

A deficit of 1.8% in 2019 represents a structural effort in the environment of 0.4% of GDP, in line with the Government's commitment to take the necessary measures to increase the sustainability and soundness of public finances.

With this adjustment, the Government fulfills the commitments of the Stability and Growth Pact. The Government expects public deficit to close in 2018 at 2.7% of GDP, below the 3% reference in the corrective arm of the Pact. From then on, Spain will be subject to the preventive arm, whose requirements are of a structural adjustment nature.

Minister Nadia Calviño has highlighted that "this deficit target does not endanger either economic growth or employment creation, the impact of measures being neutral on our forecasts of real GDP growth in 2019". Moreover, the composition of the designed adjustment will bring the ratio of public expenditure to GDP to fall slightly, from 41.2% in 2018 to 40.9% in 2019 and a small increase of the revenue to GDP ratio, from 38.5% to 39.1% in 2019.

New macroeconomic scenario

The new macroeconomic framework presented today includes a review of forecasts for growth with respect to last July. Specifically, GDP growth forecast for 2018 and 2019 is adjusted by 0.1%, reaching 2.6% and 2.3%, respectively.

Minister Nadia Calviño has highlighted the exercise of prudence in the preparation of the macroeconomic forecasts: "Both for 2018 and 2019, our forecasts are at the lower limits of the forecast ranges managed by the main national and international agencies".

The Minister of Economy and Business has also indicated that Spain continues to maintain robust growth rates, above the countries of our environment.