

Government approves General State Budget for 2017

Moncloa Palace, Madrid, Friday 31 March 2017

The Draft Budget consolidates economic growth, is committed to stable public employment and strengthens social spending. GDP will rise by 2.5%, 506,000 jobs will be created and the unemployment rate will fall to the lowest level since the start of the crisis.

The Council of Ministers approved the Draft General State Budget Act for 2017 to be submitted to Parliament, which has the fundamental aim of bedding down economic growth and sustaining the public finances.

The Minister for the Treasury and Public Function, Cristóbal Montoro, explained that the public accounts place great emphasis on social spending and are committed to stable public employment and quality services. "They are an economic policy programme so that the rest of the public authorities can meet their deficit target and allow Spain to exit the excessive deficit procedure of the European Union in 2018".

Cristóbal Montoro highlighted that the Spanish economy is growing and has the ability to access financing. "We are a sufficiently competitive country and in order to maintain the ability to access financing, we need to continue reducing the public deficit to hit the target of 3.1%".

Revenue and expenditure

In his presentation of the Budget, Cristóbal Montoro highlighted that Spain is returning to revenue levels of a decade ago. "In 2017, we aspire to see total tax revenue stand at 200 billion euros, which is the figure the public authorities posted 10 years ago". According to the minister, the Tax Agency figures published on Thursday reflect a 6.7% increase in revenue in the year to date.

Cristóbal Montoro also argued that "a good portion of the economic growth" is due to the "steep fall in taxes" in the years 2015 and 2016. "The total figure for the reduction in Personal Income Tax - 9.3 billion euros - and in Corporate Income Tax - 3 billion euros - gives a cumulative total of 12.31 billion euros".

As regards State expenditure, the minister pointed out that the Draft Budget maintains the budget that was finally executed last year. "It is in line with the correction to the public deficit based on us having higher revenue and very similar spending to that which was finally executed in 2016".

Social Budget

Cristóbal Montoro underlined that the public accounts assign the regional authorities an additional sum of 5.39 billion euros, increase the allocation to the system of justice by 7.6%, provide 100 million euros more in long-term care, a 7.5% increase in grants and remedial teaching programmes and 5.5% more for active employment policies. The fight against tax fraud also receives an additional 100 million euros.

The minister also said that "we must legally enable the State loan to the Social Security system to correctly pay pensions on time".

Public Employment Offer

The Minister for the Treasury and Public Function claimed that the Budget improves public employment since it incorporates the approval of the Public Employment Offer for 2017, which has a 100% staff replacement rate.

He also recalled that the government and social stakeholders have reached an agreement to reduce temporary employment from 20% to 8% in the next three years, which will allow 250,000 jobs to be filled that are presently covered by temporary workers, principally in the fields of education and healthcare. He also confirmed that public worker salaries will rise by 1%.

Public employment for teachers, servicemen, police officers and Guardia Civil officers

The Council of Ministers approved a Royal Decree-Law approving the public employment offer in the fields of teaching, both at university and other levels, the armed forces, the State law enforcement agencies and police forces dependent upon regional governments for 2017.

Cristóbal Montoro highlighted that the employment offer is being brought forward in these sectors to foster their operation, and, in the case of teachers, to be ready for the start of the academic year.

Sustainable growth and lower unemployment

In the presentation of the macroeconomic scenario on which the Draft Budget is based, the Minister for Economic Affairs, Industry and Competition, Luis de Guindos, stressed that these are "very prudent" forecasts and more moderate than those to be presented by private analysts in the coming weeks.

The government foresees that the Gross Domestic Product will increase by 2.5% in 2017, with a greater contribution from the foreign trade sector. Luis de Guindos pointed out that this will be the second year in a row in which external demand contributes to economic growth, something that has not happened in the last 20 years and which "clearly shows the quality and, above all, the sustainability of this growth". The minister also highlighted that the most dynamic item will be export of goods and services, which shows "that we are a competitive economy".

According to the government forecasts, 2017 will also be the fifth straight year in which Spain posts a surplus in the current account balance. According to the minister, this means that, apart from "much more lasting" growth", external debt has been reduced by some 85 billion euros in those five years.

In terms of the evolution of the labour market according to the Labour Force Survey (Spanish acronym: EPA), the government forecasts the creation of 506,000 jobs, thus giving a total figure of more than 19 million people in work. The unemployment rate will fall by two points to 16.6%, more than 10 points lower than the maximum rate recorded at the start of the year 2013 and the lowest level since the start of the crisis.

General State Budget 2017 Presentation (Spanish):

http://www.lamoncloa.gob.es/consejodeministros/referencias/documents/2017/refc20170331e_2.pdf