

DEVELOPMENTS IN SPANISH PUBLIC DEBT IN 2015

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The public debt/GDP ratio was 99.2% of GDP in 2015, slightly down from 99.3% of GDP in 2014. This article describes the determining factors and composition of general government indebtedness during 2015, compared with the euro area. Also analysed are the developments in certain variables relating to general government debt, such as total liabilities, net indebtedness, contingent liabilities and the debt of public corporations.

Introduction

In 2015, the public debt/GDP ratio fell for the first time since 2007, albeit marginally, to 99.2%, down from 99.3% in 2014 (see Chart 1). The strong growth rate of output, together with a very favourable “deficit-debt adjustment” enabled the effect of the public deficit on general government indebtedness to be offset. In the euro area, this ratio stood at 93.5%, again, slightly lower than in 2014.

This article describes developments in Spanish general government indebtedness in 2015, drawing on the statistics published by the Banco de España. The second section analyses the changes in public debt following the concept that is habitually used in the European Union, which is that defined according to the Excessive Deficit Protocol (EDP).¹ Specifically, developments concerning its determinants and its breakdown by general government tier, maturity, instruments and holder are analysed. In this connection, developments in trade debt and the average supplier-payment period are detailed in Box 1. The third section shows the main factors that have affected the so-called “deficit-debt adjustment”, which allows the figures for net general government borrowing (that is, the deficit) to be reconciled with those of the changes in the stock of EDP debt. The fourth section reviews the changes in 2015 in other variables relating to general government indebtedness,² such as total liabilities, net indebtedness, contingent liabilities and the debt of public corporations.

Developments in Spanish public debt in 2015

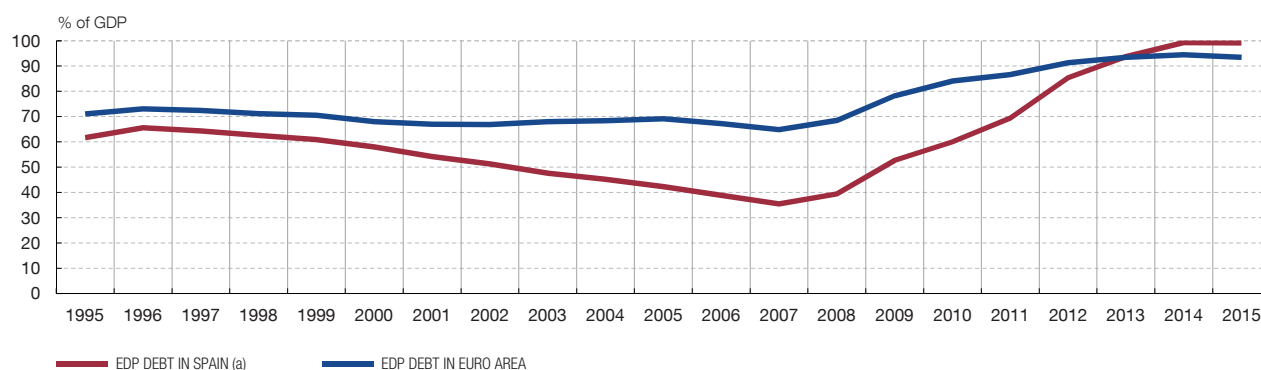
General government debt according to EDP criteria comprises general government liabilities in the form of cash and deposits, securities other than shares (excluding financial derivatives) and loans, all valued at their nominal values, excluding the liabilities held as assets by other general government sectors.

To analyse the reasons for this, it helps to break down the change in the debt/GDP ratio into its fundamental factors: a) the level of the primary budget balance,³ where a negative balance (primary deficit) needs to be financed and thus translates into an increase of the debt; b) the interest charges generated by public debt, which must also be financed; c) the so-called

¹ This concept of debt is the relevant one for the purposes of the ceilings set in the European Stability and Growth Pact and in the Spanish Law on Budgetary Stability and Financial Sustainability, and is defined in Community Regulations. The current definition of this debt is regulated by Commission Regulation (EU) No. 220/2014 of 7 March 2014. Among other things, this Regulation obliges EU Member States to send twice yearly (in late March and in late September) to the European Commission and, specifically, to Eurostat, the data for this definition of debt by sub-sector and with extensive details of specific items and transactions. These data transmissions are known as EDP Notifications.

² For a methodological discussion of the main concepts of general government indebtedness, see L. Gordo, P. Hernández de Cos and J. J. Pérez (2013), “Developments in Spanish public debt since the start of the crisis”, *Economic Bulletin*, July-August, Banco de España

³ The primary balance does not include interest payments.



SOURCES: Banco de España and European Commission (AMECO).

a Detailed quarterly data are published in Table 2, Chapter 11 of the *Boletín Estadístico* and in Table 2.16 of the *Financial Accounts of the Spanish Economy* of Banco de España.
<http://www.bde.es/webbde/es/estadis/infoest/a1102.pdf>.
<http://www.bde.es/webbde/es/estadis/ccff/0216a.pdf>.

“deficit-debt adjustment,⁴ and d) the change in nominal GDP, where growth (reduction) generates a reduction (increase) in the debt ratio (as a result of the denominator effect).

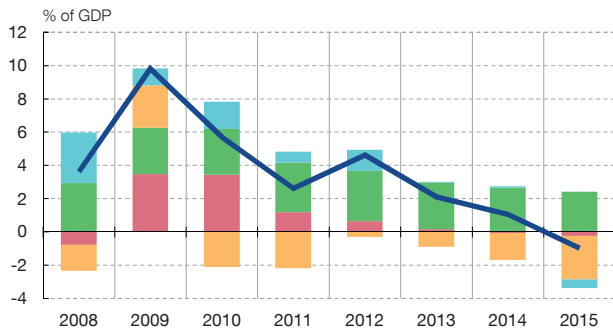
According to this breakdown (see Chart 2 and Table 1), in 2015 the Spanish public debt ratio fell slightly (-0.1 percentage points (pp) of GDP), after seven years of continued increases, in contrast with the sharp rise posted in the previous year (5.6 pp of GDP). In particular, as regards the main determinants of the change in debt in 2015, the primary deficit contributed 2 pp of GDP (0.5 pp less than in 2014) and the interest burden contributed 3.1 pp of GDP (0.3 pp of GDP less than in 2014). Conversely, nominal GDP growth contributed 3.7 pp to reducing debt (0.9 pp in the previous year) and the deficit-debt adjustment contributed 1.5 pp, whereas it had prompted an increase in debt (0.6 pp of GDP) in 2014. In the euro area, the ratio also fell in 2015 as a result of favourable developments in nominal GDP, which contributed 2.6 pp of GDP to the decline. To a lesser extent, the deficit-debt adjustment and a small primary surplus also contributed to this reduction, while the interest burden increased the ratio by 2.4 of GDP.

In terms of structure, Spanish general government debt in 2015 was concentrated in the long term (91% of the total), with an average life slightly over six years, mainly in the form of securities (81.5% of the total) with a higher weight than in 2014, to the detriment of loans (see Table 2). There was a further increase in the weight of non-resident holders, consolidating the trend that began in 2012 (see Chart 3). Thus, the percentage of Spanish general government debt held by non-residents climbed from 32.7% of the total in the first half of 2012 to 44.1% at end-2015.

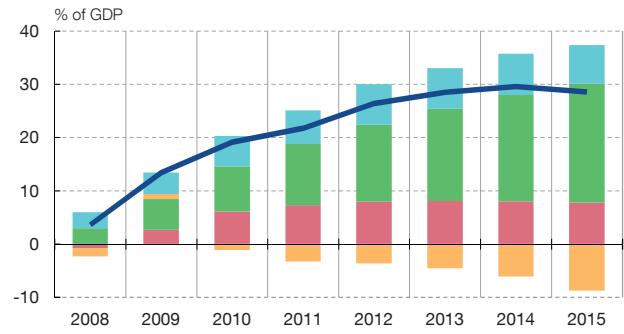
From a comparative perspective, the weight of short-term debt continued to decrease in 2015, compared with long-term debt, in the main euro area countries (see Chart 4). In turn, the percentage of debt with maturity of less than one year fell in aggregate terms, which led to a slight increase in the average life of the stock of debt in Spain and in the euro area

4 The “deficit-debt adjustment” (referred to in some publications as the “stock-flow adjustment”) allows general government deficit data to be reconciled with those of the changes in the debt ratio. This adjustment reflects the need to finance the net acquisition of financial assets, in addition to all the transactions that do not affect the deficit but do affect public debt.

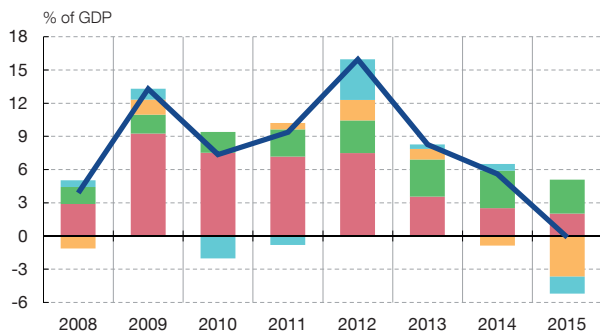
1 EURO AREA



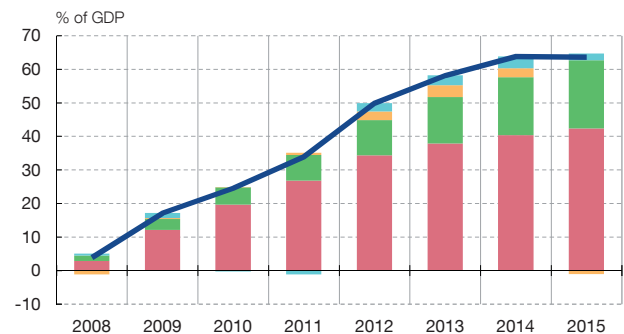
2 EURO AREA, IN CUMULATIVE TERMS



3 SPAIN (a)



4 SPAIN, IN CUMULATIVE TERMS



PRIMARY BALANCE INTEREST PAYMENTS CHANGE IN NOMINAL GDP DEFICIT-DEBT ADJUSTMENT CHANGE IN DEBT

SOURCES: Banco de España and European Commission (AMECO).

a Detailed quarterly data are published in Table 9, Chapter 11 of the Banco de España *Boletín Estadístico*. <http://www.bde.es/webbde/es/estadis/infoest/a1109.pdf>.

in 2015.⁵ The proportion of total debt held by residents increased slightly in the euro area (to 49%), though it trended unevenly from one country to another, notably Spain, which has experienced a downward trend in recent years.

In a context marked by the high decentralisation of its general government sector, it is worth analysing the distribution of public debt by sub-sector (central government, Social Security, regional governments and local governments).

In this case, it is important to take into account the debt transactions between the different sub-sectors, given that in some cases the increase observed in one tier of government arises to finance another tier. In recent years, this type of transaction has generated an increase in the central government debt issued on the market, which has been instrumental in financing regional and local governments, although there have also been transactions between central government and the Social Security through the latter's Reserve Fund. These transactions between sub-sectors are consolidated when overall aggregate general government debt is posted.

⁵ The average life of the stock is above that of the economies shown in the chart, mainly owing to the increase in the average life of the debt in recent years in Greece (more than 16 years) and Ireland (by 11 years).

CHANGE IN GROSS GENERAL GOVERNMENT CONSOLIDATED (EDP) DEBT

TABLE 1

	2009	2010	2011	2012	2013	2014	2015
Panel 1 Determinants of the change in the EDP debt/GDP ratio (%)							
1 Change in EDP debt/GDP ratio (1=2+3+4)	13.3	7.4	9.4	15.9	8.3	5.6	-0.1
2 Due to net borrowing (deficit) (2 = 2.1 + 2.2)	11.0	9.4	9.6	10.4	6.9	5.9	5.1
2.1 Primary deficit	9.3	7.5	7.2	7.5	3.5	2.5	2.0
2.2 Debt interest payments	1.7	1.9	2.5	3.0	3.4	3.4	3.1
3 Due to deficit-debt adjustment	1.0	-1.9	-0.8	3.7	0.4	0.6	-1.5
4 Effect of change in GDP	1.4	-0.1	0.6	1.8	1.0	-0.9	-3.7
Panel 2 Change in debt and details of deficit-debt adjustment, in €m (b)							
A Change in EDP debt (A = B + C)	128,929	80,559	94,271	147,196	75,315	67,697	38,446
B Due to general government net borrowing (deficit)	118,237	101,445	102,908	108,903	71,241	61,319	54,965
C Due to deficit-debt adjustment	10,692	-20,886	-8,637	38,293	4,074	6,377	-16,520
C.1 Net purchases of consolidated financial assets	24,964	-15,390	-1,377	17,683	2,316	12,002	-16,274
Loans to Ireland, Greece and Portugal under the EFSF	0	0	2,067	15,825	4,800	1,224	-1,394
Spain's participation in the ESM	0	0	0	3,809	3,809	1,905	0
Financial assistance to Greece. Hellenic Fund	0	2,598	4,052	0	0	0	0
From the FROB (Fund for the Orderly Restructuring of the Banking Sector)	12,013	50	-2,790	13,129	-801	-2,505	-1,333
From the FAFA (Fund for the Acquisition of Financial Assets)	9,998	-2,114	-11,221	-6,000	0	0	0
From the FADE (Electricity Deficit Amortisation Fund)	0	0	10,076	5,764	7,891	-850	-2,320
Other assets	2,953	-15,924	-3,561	-14,844	-13,383	12,228	-11,227
Change in cash/deposits (excluding FAFA, FROB and FADE)	1,803	-13,800	-12,479	4,754	-13,426	12,457	1,759
Securities issued by foreign general government (Reserve Fund)	-11,428	-5,518	-1,013	-5,040	0	-1,528	0
Change in other loans, shares and other equity	8,473	12,454	1,961	-4,061	-1,871	-1,182	-5,211
Of which: Privatisation of AENA	0	0	0	0	0	0	-3,439
Other assets	4,105	-9,060	7,970	-10,497	1,914	2,481	-7,775
C.2 Trade credits and other consolidated accounts payable	-6,934	-6,234	-10,676	23,972	5,398	323	204
Decrease due to Fund for the Financing of Payments to Suppliers (c)	0	0	0	27,781	8,344	7,010	n/a
Decrease due to reclassification of non-recourse factoring transactions	0	0	0	4,511	0	0	0
Other	-6,934	-6,234	-10,676	-8,320	-2,946	-6,687	204
C.3 Valuation adjustments and other	-7,338	738	3,416	-3,362	-3,640	-5,948	-450

SOURCE: Banco de España.

a Data are published on each general government sub-sector in Chapters 11 to 14 of the Banco de España *Boletín Estadístico*.
<http://www.bde.es/webbde/es/estadis/infoest/a1109.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1203.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1213.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1303.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1403.pdf>.

b A positive figure in this row means that the nominal debt increases, a negative figure means that it decreases.

c Extinguished under RD-L 17/2014, of 26 December (see Note 6 of the main text). Consequently, in 2015, it is shown as unavailable (n/a).

The unconsolidated debt of the central government sector stood at 87% of GDP in 2015, posting an increase of 1 pp of GDP compared with 2014 (see Chart 5). However, if account is taken of the fact that the financing extended to other general government sectors rose to 13.9 pp (mainly to regional governments), the total volume of central government debt, after stripping out the financial assets vis-à-vis other general government sectors, was 2 pp lower than in 2014. The debt of the Social Security system, for its part, held at 1.6% of GDP. Since part of the assets of the Social Security Reserve Fund take the form of State debt, this sub-sector

BREAKDOWN OF GENERAL GOVERNMENT EDP DEBT
TABLE 2

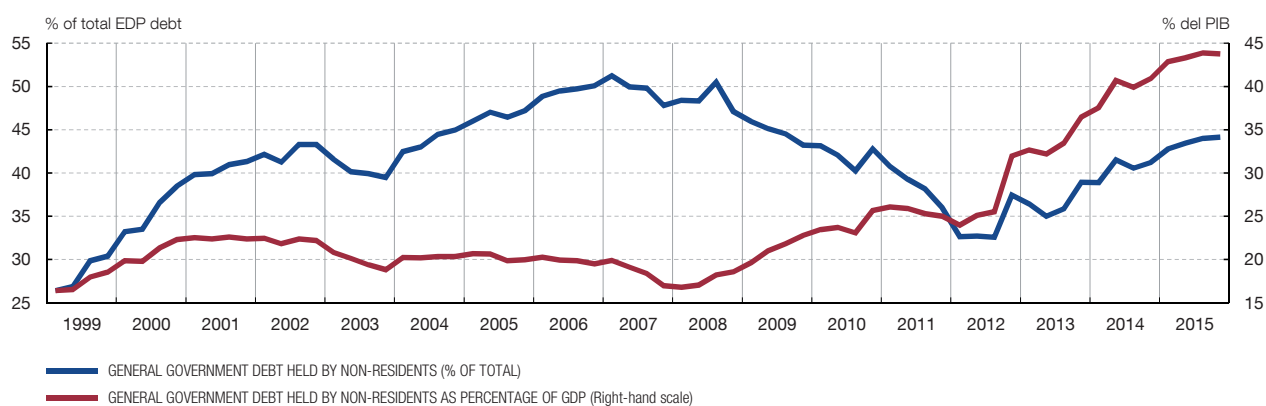
	% of GDP							% of total		
	2009	2010	2011	2012	2013	2014	2015	2014	2015	Difference 2015-2014
1 General government debt (1 = 2.1+2.2+2.3=3.1+3.2+3.3=4.1+4.2)	52.7	60.1	69.5	85.4	93.7	99.3	99.2	100.0	100.0	
2 By type										
2.1 Cash and deposits	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.0
2.2 Securities	43.8	49.4	57.1	64.2	74.3	79.3	80.8	79.8	81.5	1.7
2.2.1 Short-term	8.0	6.4	6.9	5.8	7.7	7.5	7.5			
2.2.2 Long-term	35.8	43.0	50.1	58.4	66.6	71.8	73.3			
2.3 Loans	8.6	10.3	12.1	20.8	19.1	19.7	18.0	19.8	18.1	-1.7
2.3.1 Short-term	0.9	0.8	1.4	1.5	1.2	1.1	1.0			
2.3.2 Long-term	7.7	9.5	10.6	19.4	17.9	18.5	17.0			
3 By maturity										
3.1 Cash and deposits	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.0
3.2 Short-term (3.2 = 2.2.1 + 2.3.1)	8.9	7.2	8.4	7.3	8.8	8.6	8.5	8.6	8.6	0.0
3.3. Long-term (3.3 = 2.2.2 + 2.3.2)	43.5	52.6	60.8	77.8	84.5	90.3	90.3	91.0	91.0	0.0
4 By holder										
4.1 Residents	29.9	34.4	44.5	53.4	57.2	58.4	55.4	58.8	55.9	-2.9
Resident financial institutions	22.9	24.9	31.4	38.0	41.3	44.3	42.7			
Other resident sectors	7.0	9.5	13.1	15.5	15.9	14.1	12.7			
4.2 Rest of the world	22.8	25.7	25.0	32.0	36.5	40.9	43.8	41.2	44.1	2.9

SOURCE: Banco de España.

NOTE: Detailed quarterly data are published in Chapter 11 of the Banco de España *Boletín Estadístico*.

<http://www.bde.es/webbde/es/estadis/infoest/a1112.pdf>.

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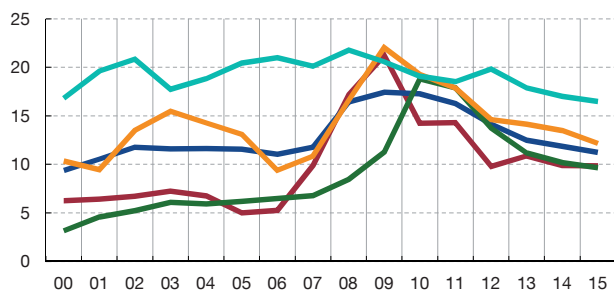
EDP SPANISH GENERAL GOVERNMENT DEBT HELD BY NON-RESIDENTS
CHART 3


SOURCE: Banco de España.

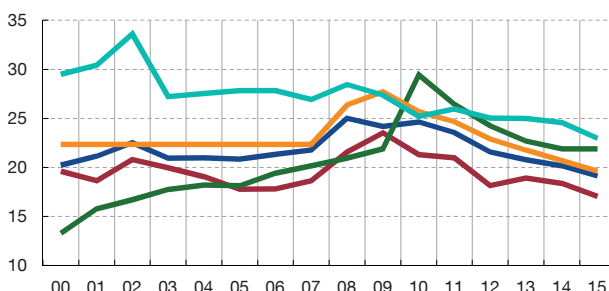
maintained a net credit position, with net financial assets of 1.4% of GDP vis-à-vis other general government sectors. However, this credit balance has gradually declined in recent years, owing to the need to use part of the Reserve Fund to meet the Social Security financing needs.

The debt of regional governments overall increased in 2015 by 1.4 pp of GDP to 24.2% of GDP. This was an across-the-board increase, with some regional governments presenting

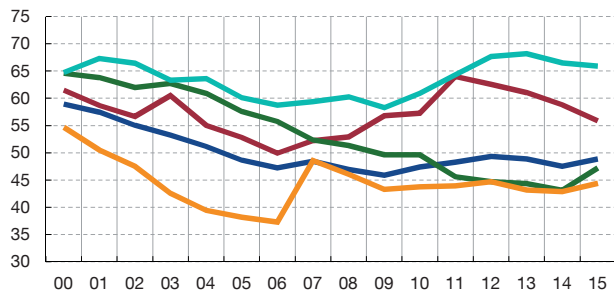
1 SHORT-TERM DEBT (% OF LONG-TERM DEBT)



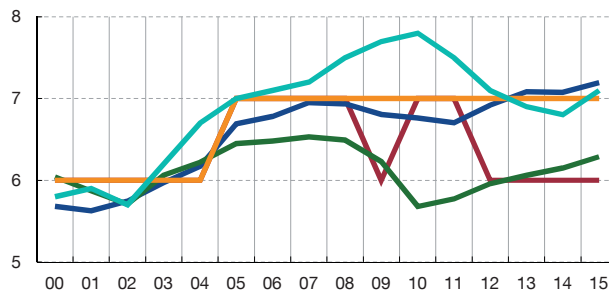
2 DEBT WITH RESIDUAL MATURITY OF LESS THAN 1 YEAR (% OF TOTAL)



3 DEBT HELD BY RESIDENTS (% OF TOTAL)



4 AVERAGE LIFE OF DEBT STOCK (YEARS)



— SPAIN (a) — EURO AREA — GERMANY — FRANCE — ITALY

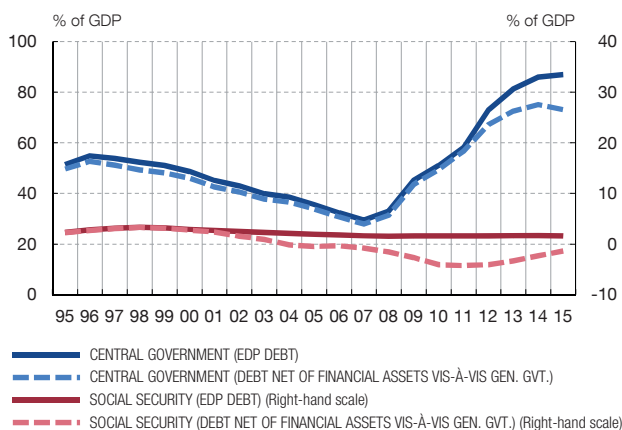
SOURCES: Banco de España and Eurosystem.

a Detailed quarterly data are published in Chapter 11 of the Banco de España *Boletín Estadístico*.
<http://www.bde.es/webbde/es/estadis/infoest/a1112.pdf>.
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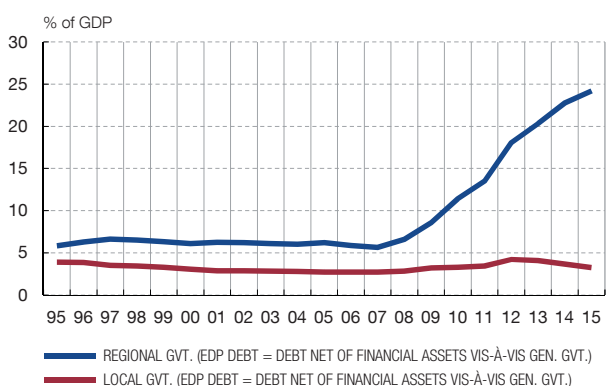
EDP DEBT BY GENERAL GOVERNMENT SUB-SECTOR (a)

CHART 5

1 CENTRAL GOVERNMENT AND SOCIAL SECURITY

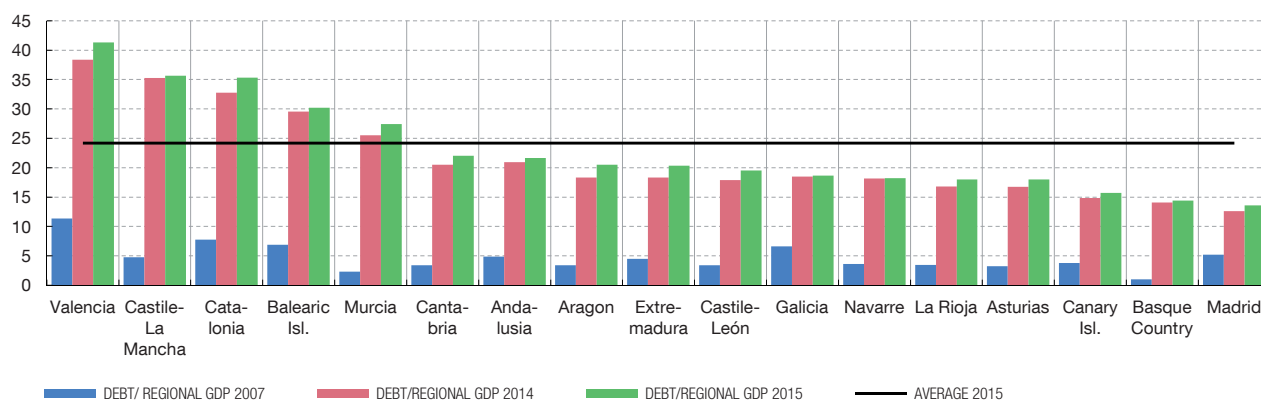


2 REGIONAL AND LOCAL GOVERNMENTS (b)



SOURCE: Banco de España.

a Detailed quarterly data by instrument and level of government are published in Chapters 11 to 14 of the Banco de España *Boletín Estadístico*.
<http://www.bde.es/webbde/es/estadis/infoest/a1107.pdf>.
 b In these tiers of general government, the EDP debt is the same as the debt net of financial assets vis-à-vis other general government sectors, as they hold no financial assets issued by other general government sectors.



SOURCE: Banco de España

debt levels exceeding 25% of their regional GDP (see Chart 6). Local governments, for their part, reduced their level of indebtedness in 2015, for the third consecutive year, by 0.4 of GDP to 3.3% of GDP. Territorial governments hold no debt issued by other general government sectors (see Chart 5), while regional governments have in recent years received a significant volume of central government financing. From 2015, the regional government debt with central government is included in the Fund for Financing Regional Governments.⁶ In 2015, regional governments overall increased their dependence on central government financing, the percentage of their debt with the latter climbing from 30% in 2014 to 43% in 2015 (see Chart 7).

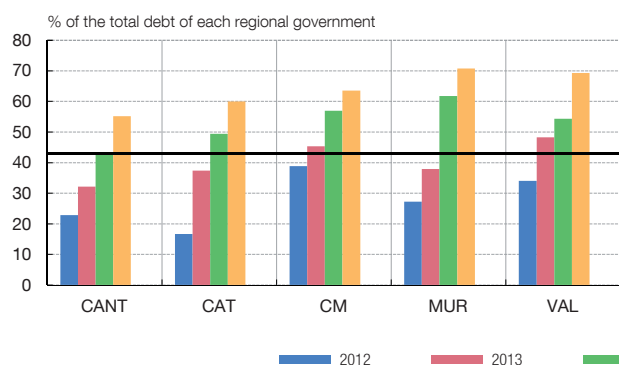
The deficit-debt adjustment in 2015

The so-called “deficit-debt adjustment” has been a significant factor in public debt dynamics in Spain (and in other countries) at certain points since the onset of the crisis, as a result of diverse financial operations in which general government sectors have become involved. However, its effect in cumulative terms in recent years, has been limited (see Table 1, Panel 2). Specifically, these adjustments posted negative values in 2010 and 2011, contributed to increasing debt by 3.7 pp of GDP in 2012 and also, albeit to a lesser degree, in 2013 (0.4 pp of GDP) and in 2014 (0.6 pp of GDP), and again posted a negative value in 2015 (reducing debt by 1.5 pp of GDP).

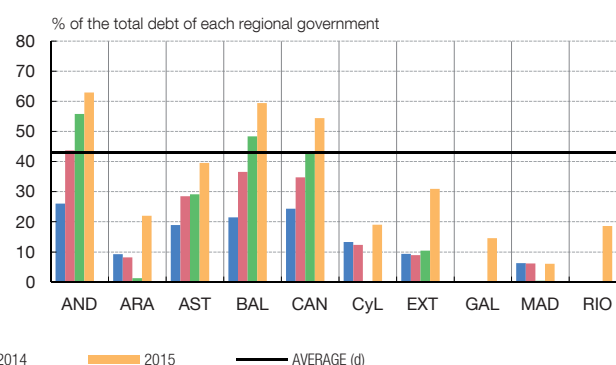
For explanatory purposes, the deficit-debt adjustment can be divided into the following conceptual categories: net purchases of consolidated financial assets (Table 1, section C.1), Trade credits and other consolidated accounts payable (Table 1, section C.2) and Valuation adjustments and other (Table 1, section C.3).

⁶ Organic Law 2/2012 of 27 April 2012 on Budgetary Stability and Financial Sustainability, in its first additional provision, stipulates that regional and local governments may request extraordinary liquidity-support measures from the State. Within the scope of this provision, since 2012, the State has implemented several mechanisms, such as the Fund for the Financing of Payments to Suppliers (FFPP, by its Spanish abbreviation), the Regional Government Liquidity Fund (FLA, by its Spanish abbreviation), or the extraordinary support measures for municipalities facing financial difficulties. All these mechanisms are aimed at providing liquidity to both regional and local governments. Pursuant to Royal Decree-Law 17/2014, of 26 December 2014, the Fund for Financing Regional Governments was set up and assumed the debt of the FLA and the FFPP as at December 2014, following which these two funds were extinguished. The Fund for Financing Regional Governments is divided into three sub-funds: the Financial Facility, which regional governments meeting their budgetary stability targets may access voluntarily; the new Regional Government Liquidity Fund (similar to the former FLA) for regional governments which have not met the targets; and the Social Fund, intended to pay outstanding regional government debt with local authorities, in order to ensure compliance with agreements on social spending. There are currently only two regional governments which do not belong to the Financing Fund, namely, Navarre and the Basque Country.

1 REGIONAL GOVERNMENTS PARTICIPATING IN THE REGIONAL GOVERNMENT LIQUIDITY FUND (b)



2 REGIONAL GOVERNMENTS PARTICIPATING IN THE FINANCIAL FACILITY (c)



SOURCE: Banco de España.

- a The regional governments of Galicia, Navarre and the Basque Country have received no loans from the central government. The only existing liquidity support mechanism for regional governments is the Fund for Financing Regional Governments, which is divided into three sub-funds: the Financial Facility, which regional governments meeting their budgetary stability targets may voluntarily access; the new Regional Government Liquidity Fund, for regional governments which have not met the targets; and the Social Fund, to pay outstanding regional government debt with local governments, in order to ensure compliance with agreements on social spending.
- b At 30 December 2015, the regional governments participating in this fund were: Cantabria (CANT), Catalonia (CAT), Castile-La Mancha (CM), Murcia (MUR) and Valencia (VAL).
- c Andalusia (AND), Aragon (ARA), Asturias (AST), Balearic Islands (BAL), Canary Islands (CAN), Castile-León (CL), Extremadura (EXT), Madrid (MAD), La Rioja (RIO).
- d The average corresponds to December 2015 data, and is calculated as the total financing received by regional governments from the FLA and the Financial Facility in respect of the total regional government debt.

In 2015, net sales of consolidated financial assets (Table 1, section C.1) amounting to €16.5 billion, contributed to reducing debt, contrasting with the sharp increase in debt in 2014. Repayments were received in connection with debts granted to Ireland, Greece and Portugal (through the European Financial Stability Fund), and with the Electricity Deficit Amortisation Fund and transactions of the Fund for the Orderly Restructuring of the Banking Sector (FROB, by its Spanish abbreviation). Furthermore, some financial assets were disposed of, for example, the sale of assets and other holdings, most notably the partial privatisation of AENA.

In 2015, hardly any movements were observed in the Trade credits and other consolidated accounts payable category (Table 1, Section C.2), unlike earlier years, since the Fund for the Financing of Payments to Suppliers had been extinguished.

Financial assets and liabilities and other types of government indebtedness

This section describes the financial assets and liabilities from an accounting standpoint, which is slightly different from the EDP methodology, and also certain general government contingent liabilities.

TOTAL GENERAL GOVERNMENT LIABILITIES

According to the Financial Accounts of the Spanish Economy (FASE), the total liabilities incurred by general government include, in addition to the EDP debt mentioned in earlier sections, the general government liabilities that are held by other general government sectors along with trade credits and other payables, which reflect, inter alia, the deferrals of payments due by general government sectors to their suppliers of goods and services.⁷

⁷ The valuation of liabilities in the Financial Accounts is based on ESA 2010 methodology, which employs market prices in the stocks and flows of liabilities in the form of securities other than shares, while the debt compiled according to EDP methodology is based on nominal values, equivalent to face values.

DIFFERENT CONCEPTS OF GENERAL GOVERNMENT DEBT (a)

TABLE 3

€m and percentage breakdown as at 31/12/2015

	EDP debt		Liabilities of the <i>Financial Accounts of the Spanish Economy</i>		Consolidated liabilities of the <i>Financial Accounts of the Spanish Economy</i>	
1 Cash and deposits	4,056	0.4%	4,056	0.3%	4,056	0.3%
2 Securities other than shares	873,570	81.5%	1,049,073	69.7%	1,005,968	79.7%
General government securities	—	—	43,105	2.9%	—	—
Other securities (short, medium and long-term)	873,570	81.5%	1,005,968	66.8%	1,005,968	79.7%
3 Cross-general government long-term debt	—	—	163,665	10.9%	—	—
4 Other long-term loans	183,318	17.1%	183,330	12.2%	183,330	14.5%
5 Short-term loans	11,239	1.0%	11,227	0.7%	11,227	0.9%
6 Trade credits and other cross-general government liabilities	—	—	36,255	2.4%	—	—
7 Other trade credits and other liabilities	—	—	58,268	3.9%	58,268	4.6%
8 Total (8 = 1 + 2 + 3 + 4 + 5 + 6 + 7)	1,072,183	100.0%	1,505,874	100.0%	1,262,849	100.0%
Percentage of GDP mp	—	99.2%	—	139.3%	—	116.8%
Memorandum item: GDP mp for the whole of 2015	1,081,190					

SOURCE: Banco de España.

- a Detailed quarterly data are published in Table 1 of Chapter 11 of the Banco de España *Boletín Estadístico* and in Tables 2.16.a and 2.38.a of the *Financial Accounts of the Spanish Economy* of Banco de España.
<http://www.bde.es/webbde/es/estadis/infoest/a1101.pdf>.
<http://www.bde.es/webbde/es/estadis/ccff/0216a.pdf>.
<http://www.bde.es/webbde/es/estadis/ccff/0238a.pdf>.

In 2015, general government liabilities rose by around 5 pp of GDP to 139.3% of GDP (see Table 4 and Chart 8). However, if account is taken of the transactions between the different tiers of general government, the consolidated general government liabilities are notably lower (116.8% of GDP), only slightly above euro area levels (115.2% of GDP). The difference between this consolidated liabilities figure and the EDP debt can be largely explained by the fact that these liabilities are valued at market prices. Specifically, the valuation adjustments increased from €6.9 billion in 2012 (0.7 pp of GDP) to €135.4 billion in 2015 (12.5 pp of GDP), owing to the impact on the prices of public debt of the substantial reduction in interest rates across all maturities in the last two years.

As regards the stock of trade credits and other general government payables, in 2015 these general government liabilities vis-à-vis households and firms continued to decrease, with a cumulative fall of 2.8 pp of GDP from their 2011 peak (see Table 5, Chart 9 and Box 1, which also analyses the general government's average payment periods to suppliers).

NET GENERAL GOVERNMENT DEBT

The concept of "net public debt" is often used when analysing the public debt. This takes general government debt in gross terms as its starting point, deducting a portion or all of the stock of financial assets. Table 6 presents total general government financial assets in recent years in Spain. These accounted for 33.9% of GDP in 2015, in terms of consolidated assets, a percentage which has held fairly stable in the last four years. If total consolidated assets were deducted from total consolidated liabilities, the resulting net liabilities would stand at 82.9% of GDP at end-2015, remaining practically unchanged from the previous year.

CONTINGENT LIABILITIES

General government occasionally grants guarantees on the debts incurred by other institutional sectors. These guarantees are not recorded as liabilities in the general government accounts given that the secured debt is registered under the liabilities of the

TRADE CREDITS AND OTHER GENERAL GOVERNMENT ACCOUNTS PAYABLE (a)

TABLE 4

€m and %

	2009	2010	2011	2012	2013	2014	2015
Total general government	85,093	98,667	131,437	105,253	96,631	94,036	94,523
As % of GDP	7.89	9.13	12.28	10.09	9.37	9.03	8.74
Vis-à-vis non-financial corporations and households	70,967	76,130	87,382	64,352	58,014	57,217	57,576
As % of GDP	6.58	7.04	8.16	6.17	5.63	5.50	5.33
Vis-à-vis general government (consolidation)	13,853	22,189	43,334	39,789	37,418	35,849	36,253
As % of GDP	1.28	2.05	4.05	3.82	3.63	3.44	3.35
Vis-à-vis other economic sectors	273	349	721	1,112	1,199	970	694
As % of GDP	0.03	0.03	0.07	0.11	0.12	0.09	0.06
Central government	26,853	29,348	31,198	35,462	32,536	36,696	37,753
Vis-à-vis non-financial corporations and households	22,813	23,941	26,229	30,162	26,676	29,647	29,678
Vis-à-vis general government (consolidation)	4,034	5,399	4,767	4,619	5,192	6,584	7,684
Vis-à-vis other economic sectors	6	9	202	682	669	464	391
Regional governments	27,411	33,359	60,909	39,208	35,683	28,749	25,406
Vis-à-vis non-financial corporations and households	26,866	27,234	36,758	17,742	16,489	11,827	9,489
Vis-à-vis general government (consolidation)	430	5,949	23,849	21,200	18,901	16,605	15,700
Vis-à-vis other economic sectors	115	176	302	265	293	317	217
Local governments	20,298	24,390	28,185	18,850	17,312	17,117	17,366
Vis-à-vis non-financial corporations and households	20,098	22,766	22,627	14,256	13,151	13,649	13,790
Vis-à-vis general government (consolidation)	49	1,459	5,341	4,430	3,923	3,280	3,489
Vis-à-vis other economic sectors	151	164	217	165	238	189	86
Social Security Funds	10,531	11,571	11,145	11,733	11,101	11,474	13,998
Vis-à-vis non-financial corporations and households	1,191	2,189	1,768	2,192	1,698	2,094	4,618
Vis-à-vis general government (consolidation)	9,340	9,382	9,377	9,541	9,403	9,380	9,380
Vis-à-vis other economic sectors	0	0	0	0	0	0	0

SOURCE: Banco de España.

a Quarterly data are published for each general government sub-sector in Chapters 11 to 14 of the Banco de España *Boletín Estadístico*.
<http://www.bde.es/webbde/es/estadis/infoest/a1101.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1201.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1211.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1301.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1401.pdf>.

agent receiving the guarantee.⁸ However, these guarantees involve contingent liabilities for public finances, insofar as the guarantee could be fully or partly enforced. If this were to happen, a capital transfer paid to the original debtor would be recorded as a balancing entry and, therefore, the general government deficit and debt would increase.

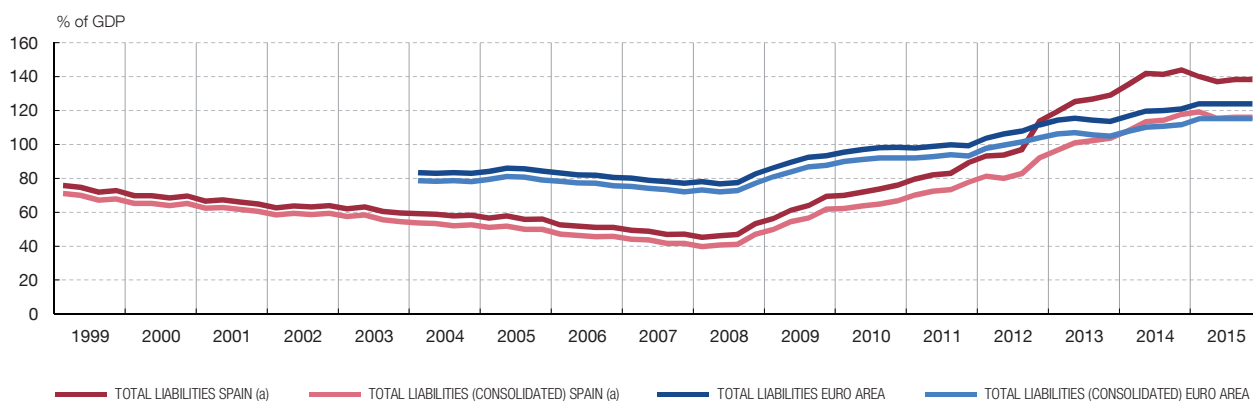
As regards guarantees granted by Spanish general government, the Banco de España publishes information on the value of the outstanding balance of debt guaranteed by the State⁹, and the regional¹⁰ and local¹¹ governments. According to this information, the

⁸ In addition to the guarantees granted by general government on the liabilities incurred by other sectors, there are other types of general government contingent liabilities of a different nature or with an associated value at risk that is difficult to measure. These include most notably future payment commitments in respect of spending on pensions and guarantees to depositors up to the established ceilings at credit institutions that participate in the Deposit Guarantee Fund, a unit which since 1 January 2012 has become part of the general government sector.

⁹ <http://www.bde.es/webbde/es/estadis/infoest/e0605.pdf>.

¹⁰ <http://www.bde.es/webbde/es/estadis/infoest/a1307.pdf>.

¹¹ <http://www.bde.es/webbde/es/estadis/infoest/a1407.pdf>.



SOURCES: Banco de España and Eurostat.

a Detailed quarterly data are published in Table 1, Chapter 11 of the *Boletín Estadístico* and in Table 2.16 of the *Financial Accounts of the Spanish Economy* of Banco de España.

<http://www.bde.es/webbde/es/estadis/infoest/a1101.pdf>.
<http://www.bde.es/webbde/es/estadis/ccff/0216a.pdf>.

GENERAL GOVERNMENT FINANCIAL ASSETS (a)

TABLE 5

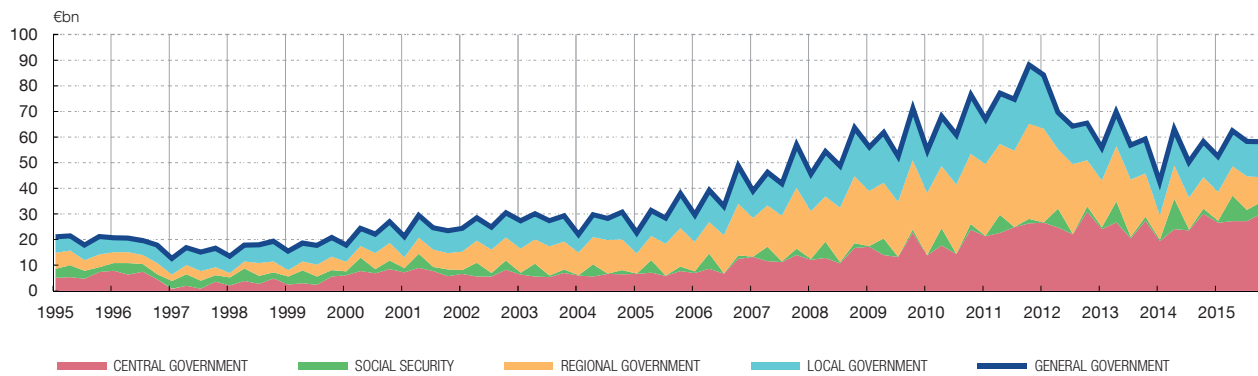
€m and %

	2009	2010	2011	2012	2013	2014	2015
1 Non-consolidated general government financial assets (1 = 1.1 + 1.2 + 1.3 + 1.4 + 1.5)	384,964	395,228	442,228	571,413	606,282	638,020	614,777
As % of GDP	35.7	36.6	41.3	54.8	58.8	61.3	56.9
1.1 Cash and deposits	119,749	95,114	77,523	84,693	71,418	82,400	85,455
1.2 Securities other than shares	77,814	83,372	77,656	74,177	66,599	50,774	52,383
Short-term	1,203	3,712	2,211	5,857	2,445	580	1,918
Long-term	76,611	79,660	75,446	68,319	64,154	50,194	50,464
1.3 Loans	43,416	51,191	63,743	173,339	221,478	250,919	222,298
1.4 Shares and other equity	89,251	102,905	127,237	139,916	141,054	148,663	156,333
1.5 Other accounts receivable	54,736	62,646	96,069	99,287	105,734	105,263	98,308
2 Consolidated general government financial assets (2 = 1 - 3)	304,168	294,857	318,479	344,640	345,873	364,405	366,310
As % of GDP	28.2	27.3	29.8	33.0	33.5	35.0	33.9
3 Consolidation (3 = 3.1 + 3.2 + 3.3)	80,797	100,372	123,749	226,773	260,409	273,615	248,466
3.1 Securities other than shares	49,776	61,014	63,247	69,281	61,692	48,057	48,549
3.2 Loans	17,169	17,169	17,169	117,702	161,299	189,709	163,665
3.3 Other accounts receivable	13,853	22,189	43,334	39,789	37,418	35,849	36,253

SOURCE: Banco de España.

a Additional, quarterly and detailed data are published in Table 2.16 of the *Financial Accounts of the Spanish Economy*.
<http://www.bde.es/webbde/es/estadis/ccff/0216a.pdf>.

volume of these operations fell by 1.2 pp of GDP in 2015 to 10% of GDP, mainly as a result of the decrease in the outstanding guarantees with credit institutions granted from 2009 in the context of the financial crisis. In the case of regional and local governments, the amounts were significantly lower, standing, overall, at 0.3% of GDP in 2015, also below the previous year's figure.



SOURCE: Banco de España.

a Quarterly data for each general government sub-sector are published in Chapters 11 to 14 of the Banco de España *Boletín Estadístico*.
<http://www.bde.es/webbde/es/estadis/infoest/a1101.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1201.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1211.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1301.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1401.pdf>.

DEBT OF PUBLIC CORPORATIONS (a)

TABLE 6

€m and %

	2009	2010	2011	2012	2013	2014	2015
1 EDP debt of public corporations (1 = 1.1 + 1.2 + 1.3)	43,464	48,684	49,188	47,472	45,824	43,546	43,202
As % of GDP	4.0	4.5	4.6	4.6	4.4	4.2	4.0
1.1 Public corporations controlled by central government	24,219	28,658	31,677	33,436	33,270	33,054	33,068
1.2 Public corporations controlled by regional government	11,366	10,958	9,551	7,106	6,133	5,520	4,997
1.3 Public corporations controlled by local government	7,878	9,068	7,960	6,930	6,421	4,972	5,137

SOURCE: Banco de España.

a In Tables 11.14, 12.10 and 13.11 of the Banco de España *Boletín Estadístico*, additional information is published quarterly, broken down by corporation and the tier of government which owns it.
<http://www.bde.es/webbde/es/estadis/infoest/a1114.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1210.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1311.pdf>.

THE DEBT OF PUBLIC CORPORATIONS

According to the information published by the Banco de España, the debt of Spanish public corporations, which are not part of the general government sector and therefore not included in EDP debt, stood at 4% of GDP at end-2014 (see Table 6), posting a fall, in nominal terms, for the fourth consecutive year. The cumulative decline in the last four years amounts to €6 billion, most notably relating to public corporations which report to regional governments, and to a lesser degree, to local governments.

17.5.2016.

The trade debt of general government to the private sector was particularly significant during the most critical stages of the crisis, mainly owing to the sharp growth of regional government debt (see Chart 1). Faced with this situation, the central government implemented various support mechanisms for regional and local governments with the initial purpose of directly paying regional governments' outstanding invoices to private suppliers. These measures managed to significantly reduce the accumulated stock of trade debt and normalised the time taken by general government to pay its suppliers.¹

These support mechanisms have been maintained over time, to ensure that all tiers of general government meet their payments within the established deadlines. In this respect, the Organic Law on Budgetary Stability and Financial Sustainability² (LOEPSF, by its Spanish abbreviation) includes the concept of the average supplier payment period³ as one of the main tools for implementing the principle of financial sustainability. The LOEPSF introduces this concept as a form of measuring the delay in the payment of trade debt, which is published monthly. Current legislation includes a set of automatic and gradual control measures aimed at ensuring that compliance with legislation on late payment by all tiers of general government is appropriately monitored. These measures empower central government, as a last resort, to withhold funds from the related financing systems in the event of the regional or local governments' repeated failure to comply

with the average payment period, in order to directly pay their suppliers.

Specifically, the LOEPSF stipulates (Article 13.6) that, when a general government sector's average payment period, according to published data, exceeds the deadline established in legislation on late payment (30 days), this sector must include, as part of its cash plan, which it must update immediately after publishing the aforementioned data, the following: a) the amount of funds it will set aside monthly for payments to suppliers in order to reduce its average payment period to the deadline set by legislation on late payment, and b) the commitment to take corrective action to enable it to generate the necessary cash to reduce its average payment period to meet the aforementioned deadline. Furthermore, the LOEPSF establishes that, within the framework of preventive measures (Article 18), when a regional government's average payment period exceeds the deadline set by legislation on late payment by more than 30 days for two consecutive months from when its cash plan was updated, the Ministry of Finance and Public Administration (MINHAP, by its Spanish abbreviation) shall issue a notification of warning and indicate the corrective action which the regional government must take. The regional government must include these measures in a new cash plan, to be drawn up immediately after receiving the aforementioned warning. The LOEPSF establishes a specific procedure for repeated non-compliance (Article 20, on automatic correction measures), which includes notifications issued by the MINHAP to the regional governments.⁴

1 For a description of these mechanisms, see M. Delgado Téllez, P. Hernández de Cos, S. Hurtado and J. J. Pérez (2015), *Extraordinary mechanisms for payment of general government suppliers in Spain*, Occasional Paper no. 1501, Banco de España.

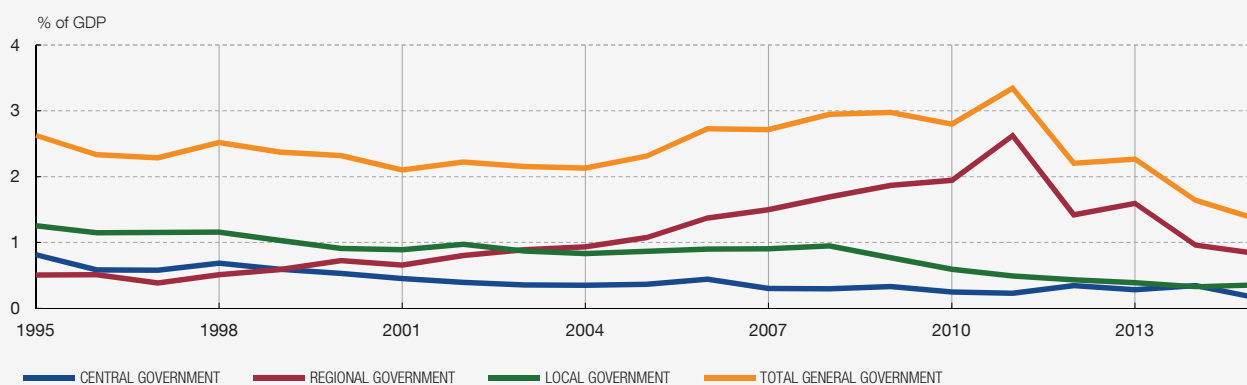
2 Organic Law 2/2012 of 27 April 2012 on Budgetary Stability and Financial Sustainability.

3 Royal Decree 635/2014 describes the methodology used to calculate this period and the requirement to make it public, as well as the conditions for withholding the financing system funds envisaged in the LOEPSF.

The MINHAP first published data on the average payment period of each general government sub-sector in September 2014. Table 1 shows the average payment periods of all general government

4 Notifications to regional governments are published on the MINHAP website: <http://www.minhap.gob.es/es-ES/CDI/SeguimientoLeyEstabilidad/Paginas/ComunicacionesCCAA.aspx>.

Chart 1
TRADE DEBT BY SUB-SECTOR, AS A PERCENTAGE OF GDP
(year-end data)



SOURCES: Banco de España and MINHAP.

sectors as at December 2014 and December 2015, and the average for 2015. Based on this information, nine regional governments had, on average in 2015, an average payment period of more than 30 days, while five regional governments had average payment periods exceeding 60 days. According to recent information supplied by the MINHAP, three regional governments, namely, Aragon, Extremadura and Valencia received the first notification for non-compliance with the average payment period in March 2015. Since then, eleven regional governments have received at least one notification. Aragon and Extremadura have

received four notifications. In the case of the latter two, after the third notification the MINHAP restricted their powers to increase their indebtedness and level of spending, and after the fourth notification (dated April 2016), it initiated the corrective measures envisaged in the LOEPSF.⁵ In the latter case, the MINHAP shall withhold the necessary financing system funds to pay suppliers, until the average payment period is reduced.

⁵ Measures envisaged in Article 25 of the LOEPSF.

Table 1
TRADE DEBT AND REGIONAL GOVERNMENTS' AVERAGE PAYMENT PERIOD

	Trade debt (% of GDP)		Average payment period (days) (a)		
	dic-14	dic-15	dic-14	dic-15	Promedio 2015
Central government	0.3	0.2	4.3	7.8	14.5
Social Security	0.0	0.0	-7.3	-0.4	4.4
Local government	0.3	0.4	19.2	41.1	38.9
Regional government	0.9	0.8	48.8	52.8	52.2
Andalusia	1.2	0.9	45.7	42.5	53.1
Aragon	1.4	1.0	84.1	99.6	93.9
Asturias	0.7	1.0	14.1	19.0	17.5
Balearic Islands	0.8	1.0	36.5	70.5	60.5
Canary Islands	0.6	0.4	14.6	3.1	13.6
Cantabria	1.2	1.3	25.3	36.4	33.1
Castile-León	0.9	0.7	44.3	34.7	28.9
Castile-La Mancha	0.9	0.6	36.0	27.9	29.5
Catalonia	1.1	0.8	38.8	58.8	48.7
Extremadura	1.9	1.7	81.2	97.8	105.5
Galicia	0.5	1.0	21.2	29.3	22.2
Madrid	0.5	0.7	57.9	37.5	48.1
Murcia	0.8	1.2	59.0	90.3	64.7
Navarre	0.5	0.5	-10.0	-9.6	-4.3
La Rioja	1.3	1.0	26.3	18.5	20.0
Basque Country	0.2	0.2	-5.0	-1.0	-0.4
Valencia	2.3	1.9	82.3	76.2	74.3

SOURCES: Ministry of Finance and Public Administration and Banco de España.

a The average payment period measures the delay in the payment of trade debt in economic terms, and as an indicator it is different from the payment period established in the consolidated text of the Public Sector Contracts Law enacted by RD-L 3/2011 of 14 November 2011 and in Law 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions. Applying strictly economic criteria, this measure can have a negative value if the general government sector pays within 30 calendar days from when the invoices or work certifications are issued, as appropriate. The methodology for calculating the average payment period is detailed in RD 635/2014 of 25 July, which describes the methodology used for calculating the average payment period for suppliers to general government and the conditions and procedure for withholding financing system funds, as envisaged in Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability.