

Developments in public debt in Spain in 2017

Mar Delgado, Blanca García and Leonor Zubimendi



7 June 2018

DEVELOPMENTS IN PUBLIC DEBT IN SPAIN IN 2017

The authors of this article are Mar Delgado, Blanca García and Leonor Zubimendi of the Directorate General Economics, Statistics and Research.

Introduction

In 2017, the public debt/GDP ratio fell for the third consecutive year, down to 98.3%, compared with 99.0% in 2016 (see Chart 1). Strong economic growth – 4% in nominal terms in the year as a whole – countered the effect of the budget deficit on general government debt. In the euro area, the ratio was 86.7% in 2017, below the 89% recorded in 2016, while the ratios of the main euro area countries stood at 64.1% (Germany), 97% (France) and 131.8% (Italy) in 2017.

This note describes the developments in Spanish general government debt in the past year, drawing on the statistics published by the Banco de España, and from a comparative standpoint with the other euro area countries. For this purpose, the second section examines how the concept of public debt – defined in accordance with the Excessive Deficit Protocol (EDP)¹ criteria – has changed, analysing the behaviour of its determinants and its breakdown by tier of government, maturity, instrument and holder. The third section describes the main factors that have affected the deficit-debt adjustment,² which reconciles general government net borrowing (deficit) to the changes in the stock of EDP debt. Lastly, the fourth section reviews the changes in 2017 in other variables related to general government,³ such as total liabilities, net debt, contingent liabilities and public corporations' debt.⁴

Developments in Spanish public debt in 2017

General government debt, compiled in accordance with the EDP criteria, is made up of general government liabilities, which are broken down into currency and deposits, debt securities (excluding financial derivatives) and loans, all at nominal value and in consolidated terms, that is, excluding liabilities that are assets of other general government sectors.

For purposes of analysis, it is advisable to break down the change in the debt/GDP ratio into its fundamental factors: a) the primary budget deficit,⁵ which has to be financed and, therefore, translates into an increase in debt; b) the interest expenses generated by public debt, which also have to be financed; c) the deficit-debt adjustment; and d) the change in nominal GDP, as an increase (decrease) in this variable automatically pushes the debt ratio down (up), as a result of the ratio denominator effect.

According to this breakdown, for the third consecutive year Spanish public debt fell slightly in 2017, by 0.7 percentage points (pp) of GDP, similar to the declines observed in 2015 and

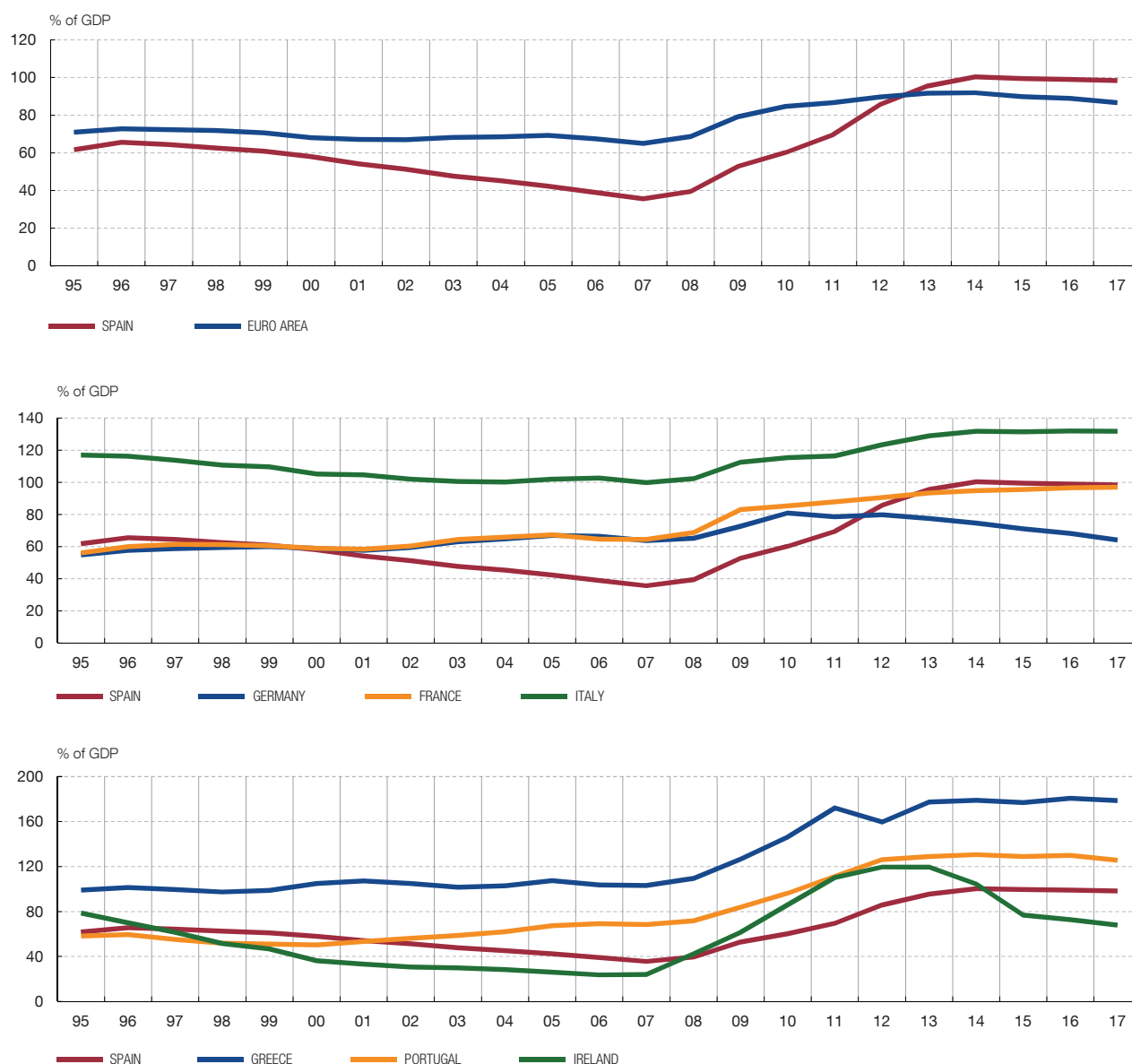
1 The relevant concept of debt for the purposes of the ceilings set in the European Stability and Growth Pact and in the Spanish Budgetary Stability and Financial Sustainability Law, defined in EU regulations. Specifically, the current definition is regulated by Commission Regulation (EU) No 220/2014 of 7 March 2014 whereby, *inter alia*, EU Member States are required to send twice yearly (in late March and late September) to the European Commission (specifically to Eurostat) the data corresponding to this definition of debt by sub-sector, with an extensive breakdown of certain concepts and operations. These data transmissions are known as EDP Notifications.

2 The deficit-debt adjustment reconciles the general government net borrowing or deficit figures to the changes in the stock of debt according to the EDP.

3 For a methodological discussion of the main concepts of general government debt, see Gordo *et al.* (2013).

4 For a forward-looking analysis of Spanish public debt in the international setting, see Hernández de Cos *et al.* (2018).

5 The primary deficit is the deficit excluding interest expenses.



SOURCES: Banco de España and Eurostat.

a Detailed quarterly data are published by the Banco de España in Table 2 of Chapter 11 of the *Statistical Bulletin* and in Table 2.16 of the *Financial Accounts of the Spanish Economy (FASE)*.

<http://www.bde.es/webbde/es/estadis/infoest/a1102e.pdf>.

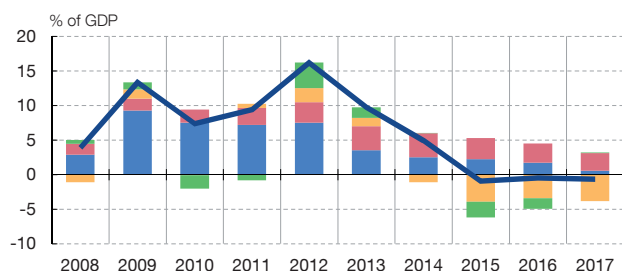
http://www.bde.es/webbde/es/estadis/ccff/cf_2_16ab.pdf.

2016 (see Chart 2 and Table 1). Specifically, with regard to the determinants of the change in debt in 2017, the primary deficit and the interest burden contributed 0.5 pp and 2.6 pp of GDP, respectively (1.7 pp and 2.8 pp in 2016), meaning that the budget deficit was 3.1 pp in 2017⁶ (4.5% in 2016).

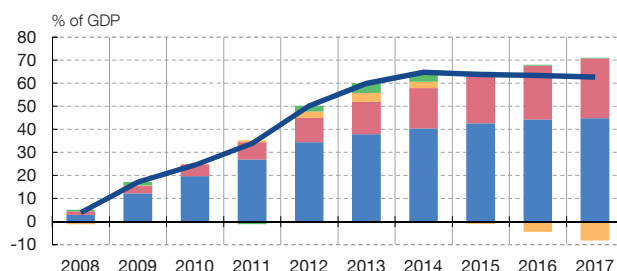
However, these increases were more than offset by the contribution of nominal GDP growth, which reduced the debt ratio by 3.8 pp of GDP (3.4 pp in 2016). For its part, the deficit-debt adjustment made a positive contribution, albeit a very small one, of 0.1 pp

⁶ The budget deficit excluding aid to the financial system was 3.07 pp of GDP in 2017.

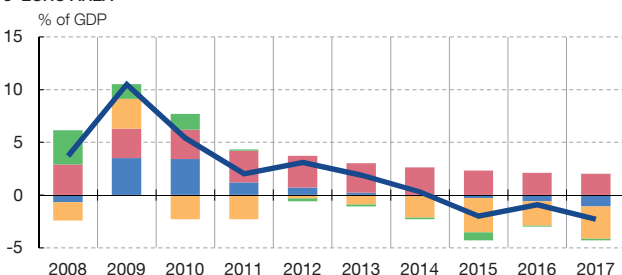
1 SPAIN



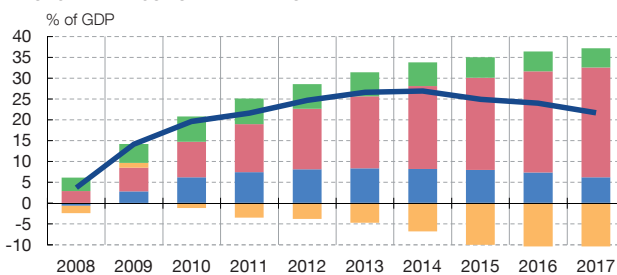
2 SPAIN IN CUMULATIVE TERMS



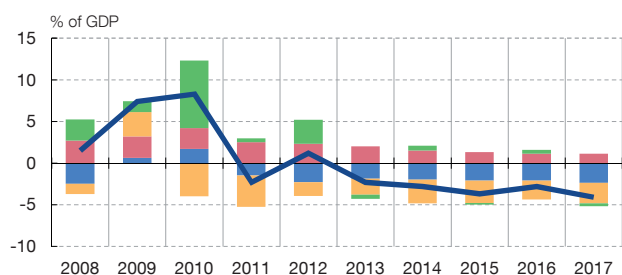
3 EURO AREA



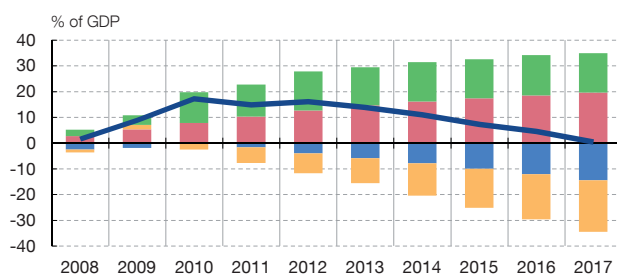
4 EURO AREA IN CUMULATIVE TERMS



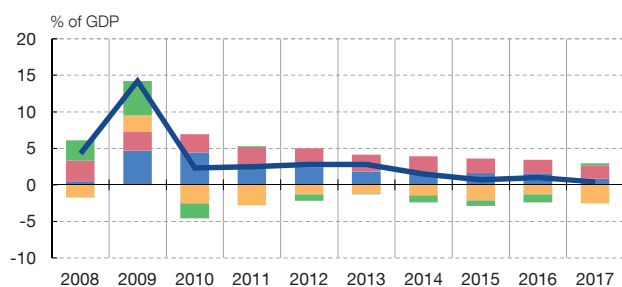
5 GERMANY



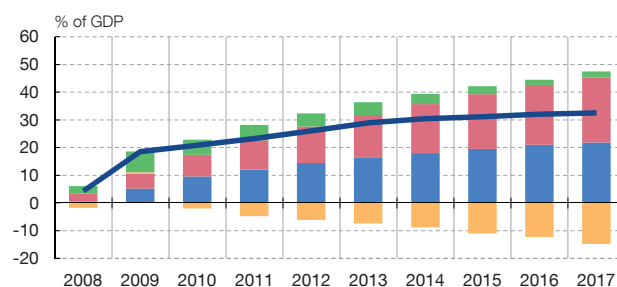
6 GERMANY IN CUMULATIVE TERMS



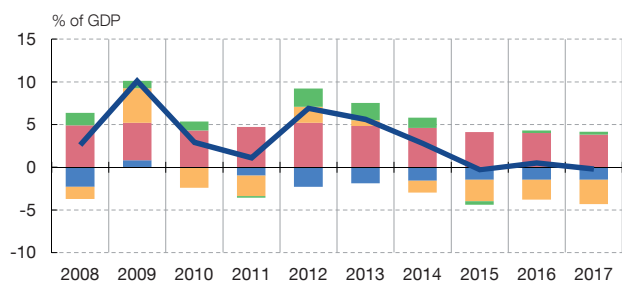
7 FRANCE



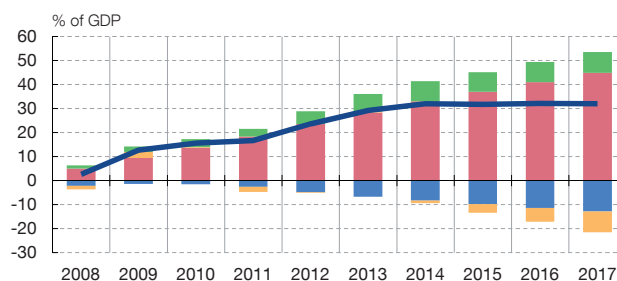
8 FRANCE IN CUMULATIVE TERMS



9 ITALY



10 ITALY IN CUMULATIVE TERMS



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

SOURCES: Banco de España and Eurostat.

a Detailed quarterly data are published in Table 9 of Chapter 11 of the Banco de España *Statistical Bulletin*. <http://www.bde.es/webbde/es/estadis/infoest/a1109e.pdf>.

CHANGE IN GROSS GENERAL GOVERNMENT DEBT (EDP) (a)

TABLE 1

	2012	2013	2014	2015	2016	2017
Panel 1. Determinants of change in EDP debt/GDP ratio						
1 Change in EDP debt/GDP ratio (1 = 2 + 3 + 4)	16.2	9.7	4.9	-0.9	-0.4	-0.7
2 Due to net borrowing (deficit) (2 = 2.1 + 2.2)	10.5	7.0	6.0	5.3	4.5	3.1
2.1 Primary deficit	7.5	3.5	2.5	2.2	1.7	0.5
2.2 Debt interest payment	3.0	3.5	3.5	3.1	2.8	2.6
3 Due to deficit-debt adjustment	3.7	1.5	0.1	-2.3	-1.5	0.1
4 Effect of change in GDP	2.0	1.2	-1.1	-3.9	-3.4	-3.8
Panel 2. Change in debt and breakdown of deficit-debt adjustment, in €m (b)						
A Change in EDP debt (A = B + C)	147,179	87,529	62,593	32,310	33,286	37,078
B Due to general government net borrowing (deficit)	108,847	71,687	61,942	57,004	50,401	36,233
C Due to deficit-debt adjustment	38,332	15,842	651	-24,694	-17,115	845
C.1 Net acquisitions of consolidated financial assets	17,396	-10,215	4,799	-15,652	-12,167	12,409
Loans to Ireland, Greece and Portugal under the EFSF	15,825	4,800	1,224	-1,394	0	0
Spain's participation in the ESM	3,809	3,809	1,905	0	0	0
Financial assistance to Greece. Hellenic Fund	0	10	0	0	0	0
From the FROB (Fund for the Orderly Restructuring of the Banking Sector)	13,130	-801	-2,504	-1,357	-3,710	-1,523
From the FAFA (Fund for Acquisition of Financial Assets)	-6,000	0	0	0	0	0
From the FADE (Electricity Deficit Amortisation Fund)	5,765	7,891	-851	-2,320	-1,418	-1,483
Other assets	-15,133	-25,924	5,024	-10,581	-7,039	15,414
Change in currency/deposits (excluding FAFA, FROB and FADE)	4,754	-23,844	12,691	1,802	-4,848	13,995
Securities issued by foreign general government sectors (Reserve Fund)	-5,040	0	-1,528	0	0	0
Change in other loans, shares and other equity	-24,834	484	1,482	-1,235	2,548	296
Of which: privatisation of AENA	0	0	0	-3,439	-303	0
Other assets	9,988	-2,564	-7,620	-11,148	-4,739	1,123
C.2 Consolidated trade credits and other accounts payable	24,299	6,303	1,084	20	2,695	-5,330
FFPP (Fund for Financing of Payments to Suppliers) (c)	27,781	8,344	7,010	—	—	—
Reclassification of non-recourse factoring operations	4,511	0	0	0	1	0
Other	-7,993	-2,041	-5,926	20	2,694	-5,330
C.3 Valuation adjustments and other	-3,363	19,755	-5,232	-9,061	-7,643	-6,244

SOURCE: Banco de España.

a Data are published for each general government sub-sector in Chapters 11 to 14 of the Banco de España *Statistical Bulletin*.

<http://www.bde.es/webbde/es/estadis/infoest/a1109e.pdf>.

<http://www.bde.es/webbde/es/estadis/infoest/a1203e.pdf>.

<http://www.bde.es/webbde/es/estadis/infoest/a1213e.pdf>.

<http://www.bde.es/webbde/es/estadis/infoest/a1303e.pdf>.

<http://www.bde.es/webbde/es/estadis/infoest/a1403e.pdf>.

b A positive figure in this panel denotes an increase in nominal debt and a negative figure a decrease.

c Dissolved by RDL 17/2014 of 26 December 2014 (see footnote 13 in main text). Accordingly, it features as not available in 2015 and 2016.

of GDP, compared with -1.5 pp in 2016. In the case of the euro area, the ratio fell by 2.3 pp in 2017, mainly owing to nominal GDP, which entailed a drop of 3.1 pp, and to a lesser extent to the primary surplus and the deficit-debt adjustment which contributed 1.1 pp and 0.1 pp, respectively, to the decline in the ratio, countering the opposite effect of the interest burden (2.0 pp of GDP).

Marked differences were observed from one country to another, since debt as a percentage of GDP fell by 4.1 pp in Germany, whereas the debt ratio remained quite steady both in France (+0.4 pp) and Italy (-0.2 pp).

	% of GDP						% of total		Difference 2017-2016
	2012	2013	2014	2015	2016	2017	2016	2017	
1 General government debt (1 = 2.1 + 2.2 + 2.3 = 3.1 + 3.2 + 3.3 = 4.1 + 4.2)	85.7	95.5	100.4	99.4	99.0	98.3			
2 By type									
2.1 Currency and deposits	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.0
2.2 Securities	64.4	74.2	79.2	80.9	82.2	83.4	83.1	84.8	1.8
2.2.1 Short-term	5.8	7.7	7.5	7.5	7.4	6.5			
2.2.2 Long-term	58.6	66.5	71.7	73.4	74.9	76.9			
2.3 Loans	21.0	20.9	20.8	18.2	16.4	14.5	16.6	14.8	-1.8
2.3.1 Short-term	1.5	1.2	1.1	1.0	0.8	0.8			
2.3.2 Long-term	19.5	19.7	19.7	17.1	15.5	13.8			
By maturity									
3.1 Currency and deposits	0.4	0.4	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)	7.3	8.9	8.6	8.5	8.2	7.3	8.3	7.4	-0.9
3.3 Long-term (3.3 = 2.2.2 + 2.3.2)	78.1	86.2	91.4	90.5	90.4	90.7	91.3	92.2	0.9
4 By holder									
4.1 Residents	53.7	58.7	58.6	55.1	54.5	54.0	55.0	54.9	-0.1
Of which: Resident financial institutions	38.1	41.5	44.4	42.8	52.7	53.4	53.3	54.3	1.0
Of which: Banco de España	3.6	3.7	3.9	8.2	12.8	17.4	12.9	17.7	4.8
4.2 Rest of world	32.1	36.8	41.8	44.3	44.5	44.3	45.0	45.1	0.1

SOURCE: Banco de España.

a Detailed quarterly data are published in Chapter 11 of the Banco de España *Statistical Bulletin*.

<http://www.bde.es/webbde/es/estadis/infoest/a1112e.pdf>.

<https://www.bde.es/webbde/es/estadis/infoest/a1113e.pdf>.

In terms of its structure, Spanish general government debt in 2017 consisted mainly of long-term instruments⁷ (92.2% of the total), with an average life of slightly more than seven years, mostly in the form of securities (84.8% of the total), which grew as a proportion of the total at the expense of loans (see Table 2).⁸ The weight of non-residents' debt holdings rose slightly compared with the balance at 31 December 2016, consolidating the change in trend that began in 2012 (see Chart 3). For its part, the ECB's public sector purchase programme, which has been running since 9 March 2015,⁹ has had a significant impact on the structure of general government debt holders. The balance outstanding of Eurosystem purchases of debt securities of euro area countries was €495 billion in 2015, €778 billion in 2016 and €658 billion in 2017 (see Chart 4). Accordingly, the Banco de España's Spanish public debt holdings amounted to 17.7% of total public debt at end-2017 (17.4% of GDP) (see Table 2).¹⁰

From a comparative standpoint, in 2017 short-term debt continued to decline as a proportion of total debt in the main euro area countries (see Chart 5). In turn, as in recent

⁷ Securities with duration of more than 12 months are considered long-term.

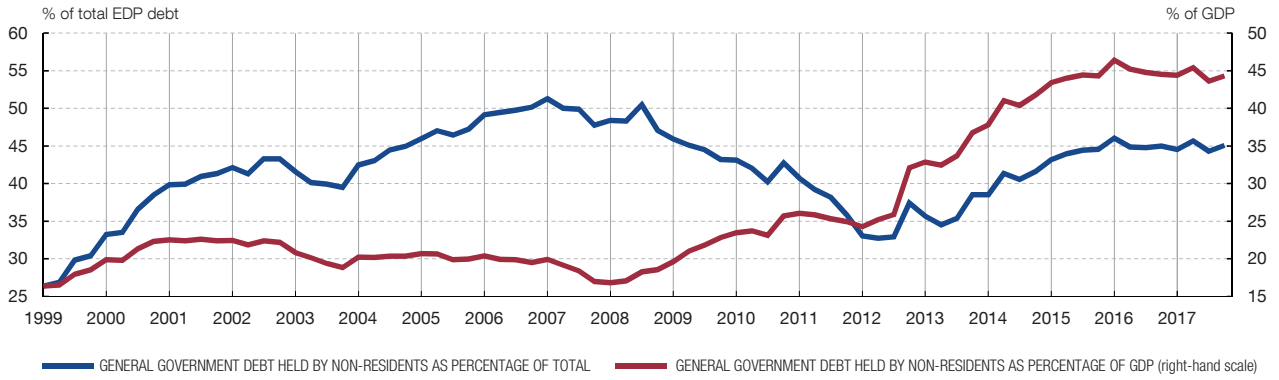
⁸ These loans include that granted to the Spanish general government sector by the European Stability Mechanism (ESM) for €41.3 billion in 2012. Since 2014 almost 25% of the loan (€9.6 billion) has been early repaid via the issuance of debt securities. Specifically in 2017, €3 billion was early repaid.

⁹ The description of the programme can be found on the [ECB website](#).

¹⁰ For a detailed analysis of the impact of the ECB's unconventional monetary policy programmes on Spanish public finances, see Burriel *et al.* (2017).

SPANISH GENERAL GOVERNMENT EDP DEBT HELD BY NON-RESIDENTS

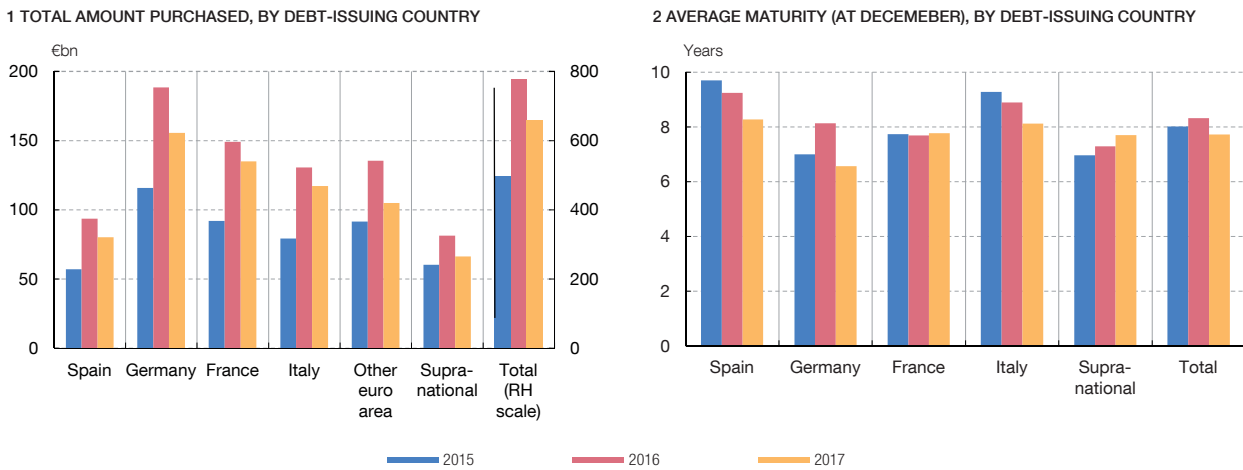
CHART 3



SOURCE: Banco de España.

ECB PUBLIC SECTOR PURCHASE PROGRAMME (a)

CHART 4



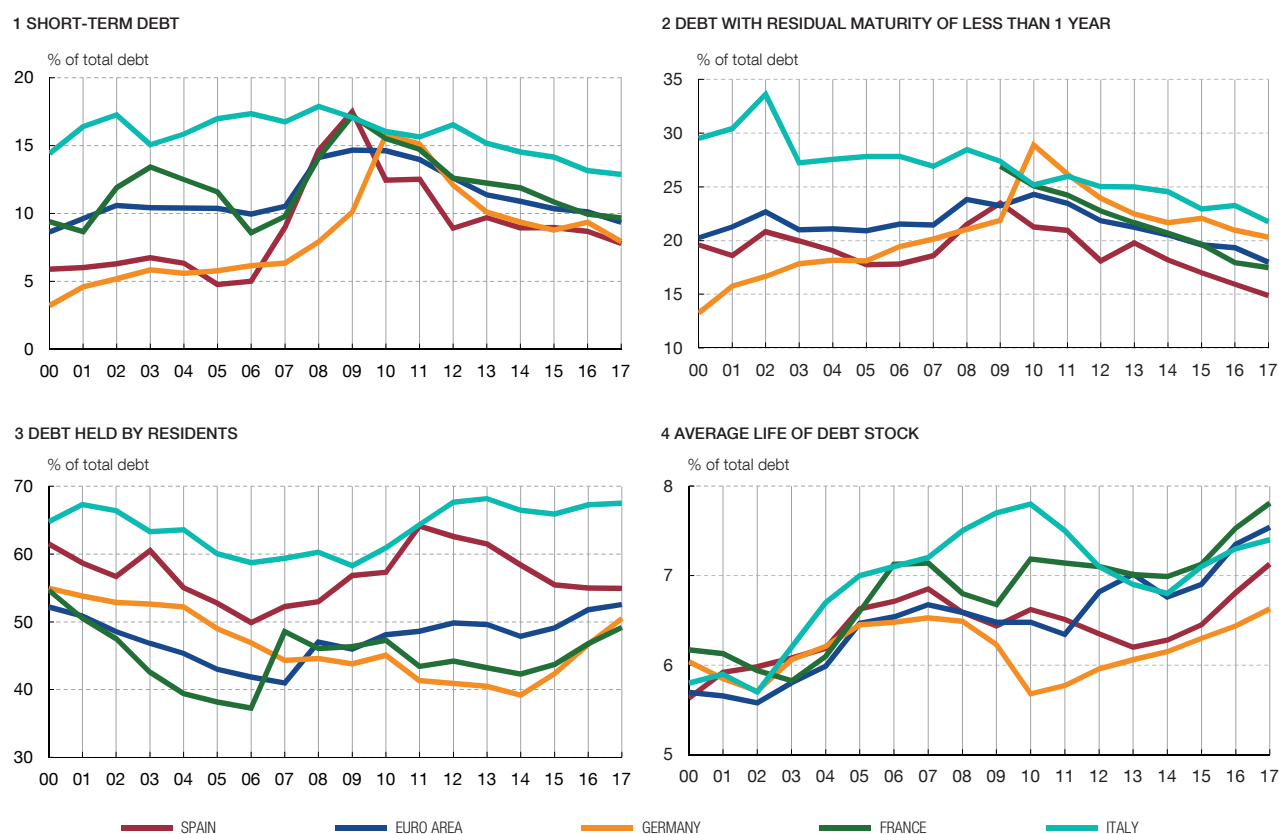
SOURCE: ECB.

a Monthly information available on the ECB website: <https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>.
 Supranational bodies are institutions made up of two or more national governments. Purchases include, for example, securities of the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF) and the European Union.

years, the percentage of the volume of debt maturing in less than one year decreased in aggregate terms, prompting an increase in the average life of the stock of debt both in Spain and in the euro area overall. The percentage of total debt held by residents rose slightly in the euro area (to 52.5%), increasing in Germany, France and Italy but decreasing in Spain (to 54.9%), thus continuing along the downward path of recent years.

In a setting as in Spain in which general government is highly decentralised, it is important to analyse the distribution of public debt by sub-sector: central government, Social Security, regional government and local government.

In this context, debts between the different sub-sectors must be borne in mind, given that in some cases an increase observed at one tier of government arises to finance another. In this respect, in recent years this kind of operation has prompted an increase in the market issuance of central government debt, which has been used to finance regional and local governments through the Regional and Local Government Financing Funds, respectively.



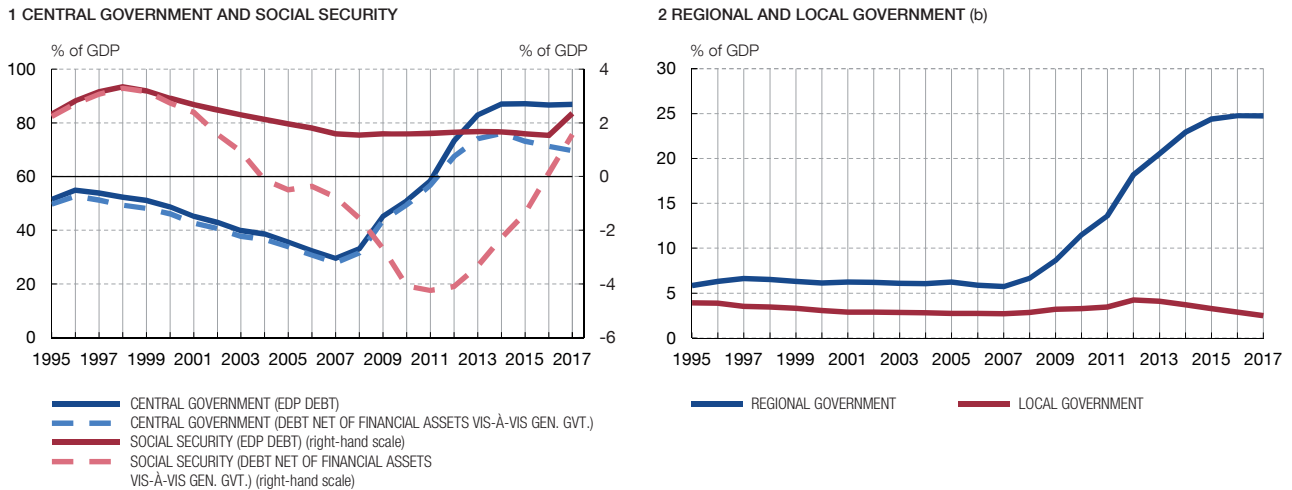
SOURCES: Banco de España, Eurostat, Spanish Treasury and French Treasury.

a Detailed quarterly data are published in Chapter 11 of the Banco de España *Statistical Bulletin*.
<http://www.bde.es/webbde/es/estadis/infoest/a1112e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1113e.pdf>.

There has also been financing between central government and the Social Security Reserve Fund,¹¹ and between the regional governments and other sub-sectors, such as the Social Security's mutual insurance companies which hold regional government debt securities. However, these operations between sub-sectors are consolidated when calculating the aggregate debt for the overall general government sector.

Non-consolidated central government debt amounted to 86.9% of GDP in 2017, 0.2 pp above the 2016 level (see Chart 6). If account is taken of the fact that the financing extended to other general government sectors (chiefly regional governments) has increased, to 17.3 pp, the total volume of consolidated central government debt, after stripping out the financial assets vis-à-vis other general government sectors, fell by 1.7 pp in 2017. Non-consolidated Social Security debt amounted to 2.4% of GDP, which is 0.8 pp more than in 2016, reducing the volume of assets of other general government sectors held in portfolio by the Social Security Reserve Fund. These assets, which came to account for 5.8% of GDP in 2011, had dropped to 0.8% by 2017. Accordingly, Social Security debt net of these financial assets stood at 1.6% of GDP.

¹¹ In 2017, under the ninth additional provision of the State Budget Law for 2017 (Law 3/2017 of 27 June 2017), the Ministry of Employment and Social Security granted a loan to the Social Security General Treasury for €10.2 billion, of which €6 billion was paid out in July and the remaining €4.2 billion in November.



SOURCE: Banco de España.

- a Detailed quarterly data by instrument and tier of government are published in Chapters 11 to 14 of the Banco de España *Statistical Bulletin*. <http://www.bde.es/webbde/es/estadis/infoest/a1107e.pdf>.
- b At the regional and local government level, EDP debt coincides with debt net of financial assets vis-à-vis general government.

The debt/GDP ratio of the regional governments overall held steady at 24.8% of GDP in 2017.¹² There were, however, significant differences from one region to another, as the debt/GDP ratio fell in nine regions and rose in the other eight. Thus, in 2017, debt levels ranged from 14% (Basque Country) to 42% (Valencia) of regional GDP (see Chart 7.1). In turn, local governments reduced their level of debt in 2017 for the fifth consecutive year, down by 0.4 pp of GDP to 2.5% of GDP. By international standards, the debt levels of Spain's regional and local governments were higher than those of their counterparts in Germany, France and Italy in 2016, which is the last year for which comparable data are available (see Chart 7.2). Regional and local government holdings of financial assets that are liabilities of other general government sectors are zero (see Chart 6). By contrast, in recent years both sub-sectors have received funds from central government, in 2017 for a total of 0.6% of GDP (local government) and 14.4% of GDP (regional government). Since 2015 most regional government debt held by central government falls under the Regional Government Financing Fund.¹³ In 2017, regional governments overall continued to increase their reliance on central government financing, with the percentage of their total debt held by the latter rising from 53.6% in 2016 to 57.7% in 2017 (see Chart 8).

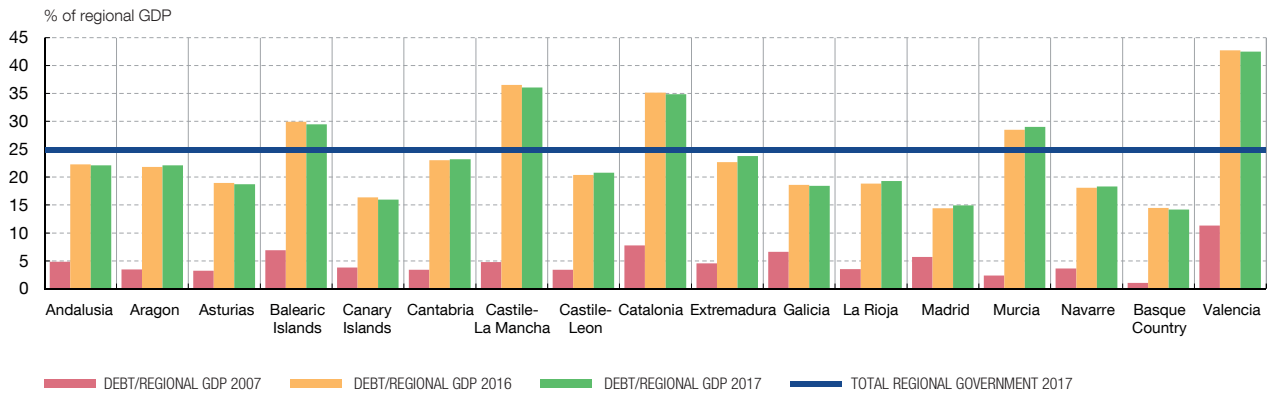
Deficit-debt adjustment in 2017

Deficit-debt adjustment is a significant factor in public debt dynamics in Spain (and in other countries) and it acquired particular importance during the crisis as a result of the various financial operations in which general government became involved, although in cumulative terms in recent years its impact has been slim (see Chart 2 and Table 1.2). Specifically, these adjustments increased the stock of debt from 2012 to 2014, and then

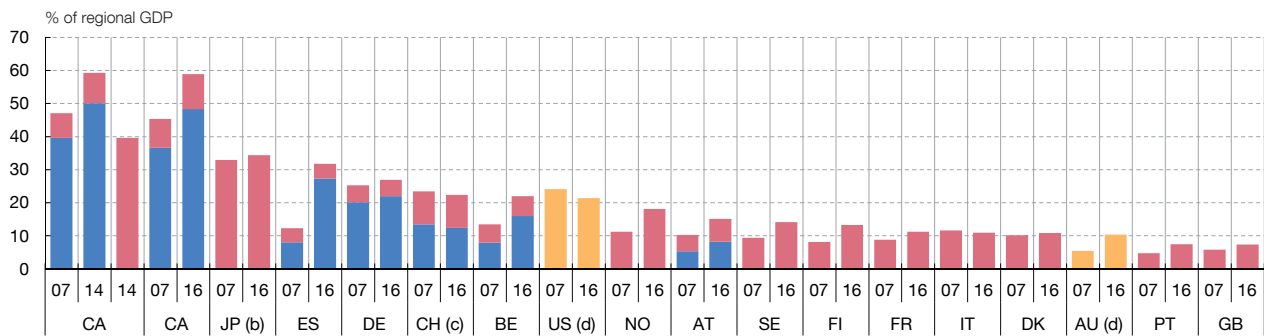
¹² For a medium-term view of regional government debt, see Delgado-Téllez and Pérez (2018).

¹³ Organic Law 2/2012 of 27 April 2012 on Budgetary Stability and Financial Sustainability establishes in its first additional provision that regional and local governments may apply to the State for access to extraordinary liquidity support measures. Under these provisions, since 2012 the State has set in train several arrangements, such as the Fund for Financing of Payments to Suppliers (FFPP), the Regional Government Liquidity Fund (FLA) or the extraordinary support measures for municipalities with financial difficulties, all with the common aim of providing liquidity to regional and local governments. Under Royal Decree-Law 17/2014 of 26 December 2014 the Regional Government Financing Fund was created, assuming the debt, as at December 2014, of the FFPP and the FLA, both of which were dissolved.

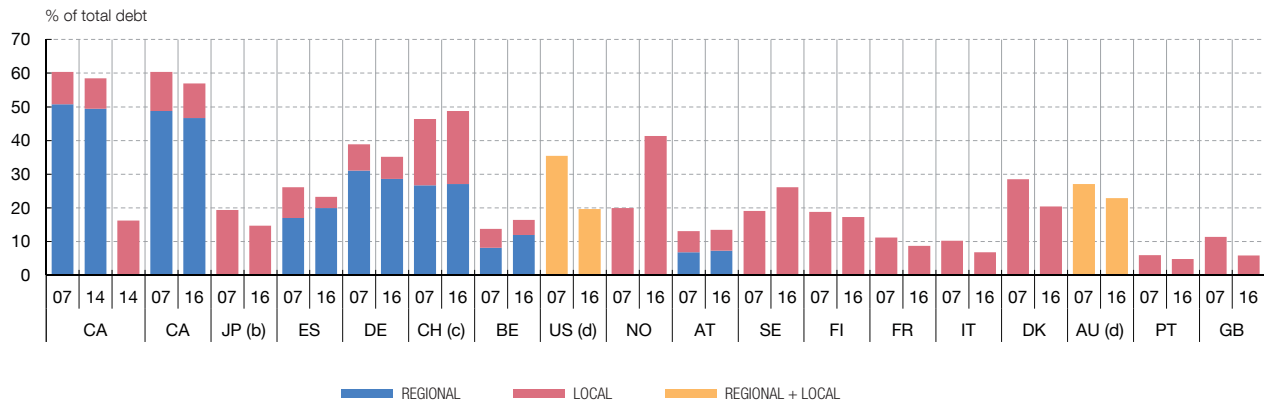
1 REGIONAL GOVERNMENT DEBT



2 REGIONAL/LOCAL GOVERNMENT DEBT, INTERNATIONAL COMPARISON (a)

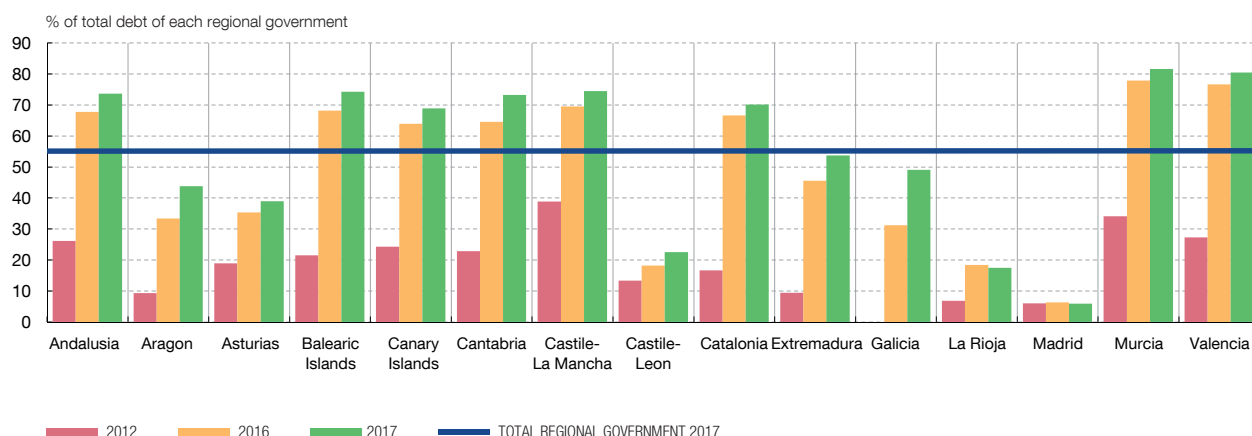


3 REGIONAL/LOCAL GOVERNMENT DEBT, INTERNATIONAL COMPARISON (a)



SOURCES: Banco de España and OECD.

- a Total liabilities consolidated only within each of the three sectors: Central, which consolidates Social Security and Central Government; Regional (consolidated); and Local (consolidated). The United States, Switzerland and Japan are not consolidated owing to non-availability of data.
- b The 2016 data are actually 2015 data, owing to non-availability.
- c The 2016 data are actually 2014 data, owing to non-availability.
- d Only the sum of Regional plus Local is available.



SOURCE: Banco de España.

- a The Navarre and Basque Country regional governments have not received any amount in the form of loans from central government. At present, the sole liquidity support mechanism for the regional governments is the Regional Government Financing Fund, which is divided into three facilities: the Financing Facility, of which the regional governments that meet budgetary stability targets may voluntarily avail themselves; the new Regional Government Liquidity Fund, for regional governments that have not met such targets, similar to its predecessor (FLA); and the Social Fund, to finance regional governments' outstanding debts with local governments, in order to ensure compliance with the agreements on social spending. In addition, the Regional Government Financing Fund acquired the assets and liabilities of the Fund for Financing of Payments to Suppliers, now defunct.

changed sign in 2015 and 2016, helping to reduce the debt ratio in those years by 2.3 pp and 1.5 pp of GDP, respectively. In 2017 they turned positive again, amounting to 0.1 pp of GDP.

For purposes of illustration, the following conceptual categories may be distinguished in deficit-debt adjustment: net acquisition of consolidated financial assets (block C.1 of Table 1); consolidated trade credits and other accounts payable (block C.2 of Table 1); and valuation adjustments and other (block C.3 of Table 1).

In 2017, net acquisition of consolidated financial assets (block C.1 of Table 1) amounted to €12.4 billion; this helped to increase debt levels, by contrast to the previous two years. It should be noted that this is the only category that made a positive contribution to deficit-debt adjustment in 2017. Also noteworthy was the increase in holdings of currency and deposits by all general government sub-sectors. At the same time, divestments of assets related to operations of the Electricity Deficit Amortisation Fund (FADE) and the Fund for the Orderly Restructuring of the Banking Sector (FROB) continued.

Consolidated trade credits and other accounts payable (block C.2 of Table 1) rose considerably in 2017, making a negative contribution to deficit-debt adjustment of more than €5 billion. Valuation adjustments and other (block C.3 of Table 1) also made a negative contribution to deficit-debt adjustment, owing in part to the effect of positive issue premia¹⁴ and, to a lesser extent, to the changes in the sectoral reclassification of general government units, including in particular the case of Empresa Nacional de Residuos Radiactivos, S.A.¹⁵

14 The positive issue premium is the amount additional to the nominal value paid by purchasers of debt securities. These premia are not included in the valuation of EDP debt since, according to the EDP methodology, only the face value of issues is taken into account.

15 Methodological details in this respect may be found in the Banco de España's [Briefing note on the revision of general government debt according to the Excessive Deficit Procedure \(EDP\)](#) (16 February 2018).

€m and % of total

	EDP debt		Liabilities of the FASE		Consolidated liabilities of the FASE	
1 Currency and deposits	4,462	0.4%	4,462	0.3%	4,462	0.3%
2 Debt securities	970,527	84.8%	1,125,183	70.1%	1,104,142	82.6%
Held by general government	—	—	21,041	1.3%	—	—
Others (short and long-term)	970,527	84.8%	1,104,142	68.8%	1,104,142	82.6%
3 Intra-general government long-term debt	—	—	210,896	13.1%	—	—
4 Other long-term loans	160,465	14.0%	160,466	10.0%	160,466	12.0%
5 Short-term loans	8,844	0.8%	8,844	0.6%	8,844	0.7%
6 Trade credits and other intra-general government liabilities	—	—	35,101	2.2%	—	—
7 Other trade credits and other liabilities	—	—	59,027	3.7%	59,027	4.4%
8 TOTAL (8 = 1 + 2 + 3 + 4 + 5 + 6 + 7)	1,144,298	100.0%	1,603,978	100.0%	1,336,941	100.0%
Percentages of GDP mp	—	98.3%	—	137.8%	—	114.9%
Memorandum item: 2017 GDP mp	1,163,662					

SOURCE: Banco de España.

a Detailed data are published quarterly by the Banco de España in Table 1 of Chapter 11 of the *Statistical Bulletin* and in Tables 2.16.a and 2.38.a of the FASE. <https://www.bde.es/webbde/es/estadis/infoest/a1101e.pdf>. http://www.bde.es/webbde/es/estadis/ccff/cf_2_16ab.pdf. http://www.bde.es/webbde/es/estadis/ccff/cf_2_38ab.pdf.

Financial assets and liabilities and other types of government debt

This section describes the financial assets and liabilities from an accounting standpoint, which differs slightly from the EDP methodology, certain general government contingent liabilities and public corporations' debt.

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 above-mentioned EDP debt, the general government liabilities held by other general government sectors and trade credits and other accounts payable, which reflect, inter alia, deferrals of payments that general government sectors owe to their suppliers of goods and services.¹⁶

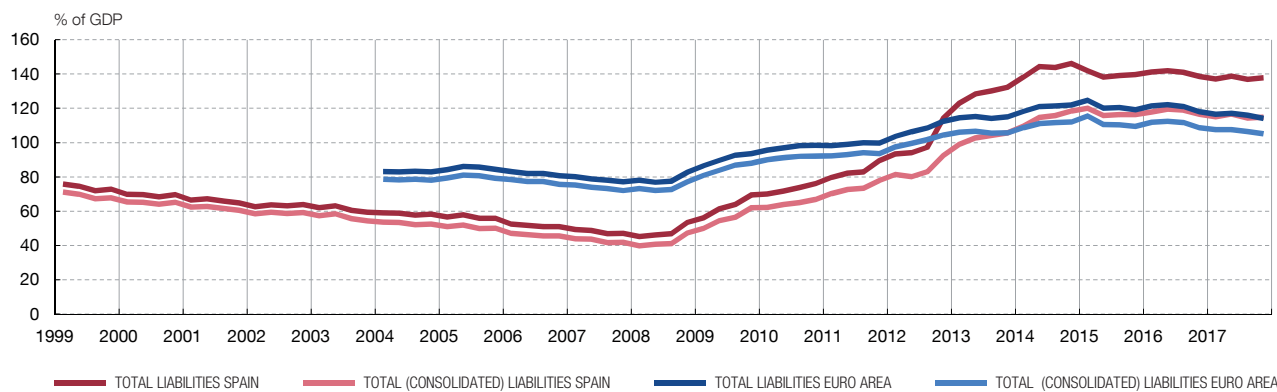
In 2017 Spanish general government liabilities fell by 0.8 pp of GDP to 137.8% of GDP, compared with 114.2% in the euro area (see Table 3 and Chart 9). However, once financing between the different levels of general government is taken into account, general government consolidated liabilities are notably lower (114.9% of GDP), although higher than in the euro area (105.1% of GDP). The difference between this figure for consolidated liabilities and EDP debt is largely due to the market-price valuation of these liabilities. Specifically, valuation adjustments have risen from €6.9 billion in 2012 (0.7 pp of GDP) to €135.5 billion in 2017 (11.6 pp of GDP), owing to the impact that the significant fall in interest rates at all terms has had on the price of government debt.

The stock of general government trade credits and other accounts payable increased in 2017, interrupting the downward path observed since 2011 for these general government liabilities, which amounted to €93.6 billion, 4.3 pp of GDP below the peak of €131.4 billion

¹⁶ 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 debt securities, while debt calculated according to the EDP is based on nominal values which, in the EDP methodology, are equivalent to face values.

TOTAL GENERAL GOVERNMENT LIABILITIES IN SPAIN AND IN THE EURO AREA (a)

CHART 9



SOURCES: Banco de España and Eurostat.

a Detailed quarterly data are published by the Banco de España in Table 1 of Chapter 11 of the *Statistical Bulletin* and in Table 2.16 of the *FASE*.
<http://www.bde.es/webbde/es/estadis/infoest/a1101e.pdf>.
http://www.bde.es/webbde/es/estadis/ccff/cf_2_16ab.pdf.

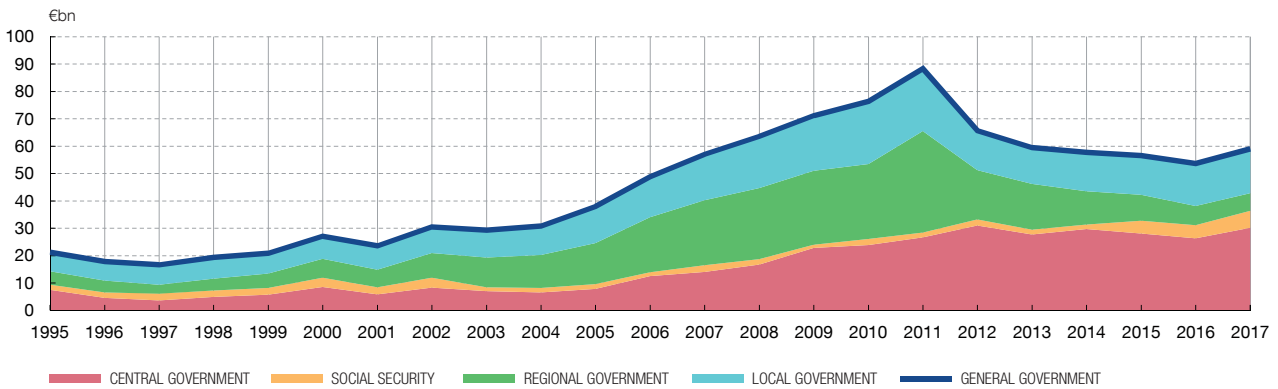
TRADE CREDITS AND OTHER GENERAL GOVERNMENT ACCOUNTS PAYABLE (a)

TABLE 4

€m and % of GDP	2012	2013	2014	2015	2016	2017
Total general government	105,442	96,928	94,072	94,653	89,033	93,616
As % of GDP	10.1	9.5	9.1	8.8	8.0	8.0
Vis-à-vis non-financial corporations and households	64,496	58,221	55,869	54,516	50,720	56,392
As % of GDP	6.2	5.7	5.4	5.0	4.5	4.8
Vis-à-vis general government (consolidation)	39,789	37,418	36,346	38,048	35,335	35,101
As % of GDP	3.8	3.6	3.5	3.5	3.2	3.0
Vis-à-vis other economic sectors	1,157	1,289	1,858	2,090	2,978	2,123
As % of GDP	0.1	0.1	0.2	0.2	0.3	0.2
Central government	35,653	32,896	36,768	37,355	34,901	39,193
Vis-à-vis non-financial corporations and households	30,306	26,883	28,309	26,299	23,625	27,783
Vis-à-vis general government (consolidation)	4,619	5,192	7,081	9,270	8,560	9,500
Vis-à-vis other economic sectors	728	821	1,378	1,785	2,716	1,910
Regional government	39,206	35,640	28,732	25,293	22,170	20,519
Vis-à-vis non-financial corporations and households	17,742	16,489	11,827	9,207	6,902	6,220
Vis-à-vis general government (consolidation)	21,200	18,901	16,605	15,867	15,079	14,143
Vis-à-vis other economic sectors	264	250	301	219	189	157
Local government	18,851	17,292	17,558	17,914	17,958	18,455
Vis-à-vis non-financial corporations and households	14,256	13,151	14,099	14,333	15,487	16,239
Vis-à-vis general government (consolidation)	4,430	3,923	3,280	3,496	2,399	2,160
Vis-à-vis other economic sectors	165	218	180	85	72	56
Social Security	11,733	11,101	11,014	14,091	14,005	15,448
Vis-à-vis non-financial corporations and households	2,192	1,698	1,634	4,676	4,707	6,151
Vis-à-vis general government (consolidation)	9,541	9,403	9,380	9,415	9,298	9,298
Vis-à-vis other economic sectors	0	0	0	0	0	0

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 *Statistical Bulletin*.
<http://www.bde.es/webbde/es/estadis/infoest/a1101e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1201e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1211e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1301e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1401e.pdf>.



SOURCE: Banco de España.

a The chart includes the amounts accumulated at year-end. Quarterly data for each general government sub-sector are published in Chapters 11 to 14 of the Banco de España *Statistical Bulletin*.
<http://www.bde.es/webbde/es/estadis/infoest/a1101e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1201e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1211e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1301e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1401e.pdf>.

recorded in 2011 (see Table 4 and Chart 10).¹⁷ This increase is attributable to growth of €5 billion in accounts payable vis-à-vis non-financial corporations and households, with significant increases both for central government and Social Security.

NET GENERAL GOVERNMENT DEBT

In the analysis of public indebtedness, the concept of “net public debt” is generally also used; this is obtained by subtracting the stock of financial assets from gross general government debt. Table 5 shows the total financial assets of general government in Spain in recent years, amounting in 2017 to 33.4% of GDP in terms of consolidated assets, a percentage that has held fairly stable in recent years. If total consolidated financial assets were subtracted from total consolidated liabilities, the resulting net liability would amount to 81.5% of GDP at end-2017, below the 2016 figure (84.0%).

CONTINGENT LIABILITIES

In some cases, general government grants guarantees on debt incurred by other institutional sectors. These operations are not recorded as liabilities in the general government accounts, as the guaranteed debt is already recorded among the liabilities of the agent receiving the guarantee.¹⁸ However, they do represent contingent liabilities for public finances, insofar as the guarantee could be fully or partly enforced. Were this to occur, a capital transfer paid to the original debtor would be recorded as a balancing entry and, therefore, both the general government deficit and debt would increase.

In respect of guarantees granted by Spanish general government, the Banco de España publishes information on the outstanding balance of debt guaranteed by the State¹⁹

17 Changes in the trade debt of the general government sector are attributable in part to the introduction of various support arrangements for regional and local governments designed to move general government payment periods to suppliers back onto a normal footing [see Delgado-Téllez *et al.* (2015)].

18 In addition to the guarantees granted by the general government sector on liabilities incurred by other economic sectors, there are other general government contingent liabilities of a different kind or with an associated risk that is difficult to measure. These include, most notably, future payment commitments linked to pensions and the guarantees to depositors up to the ceilings established at credit institutions that are members of the Deposit Guarantee Scheme, which since 1 January 2012 has been part of the general government sector. In the case of future payment commitments linked to pensions, the European Commission (Eurostat) is undertaking the necessary work to estimate these commitments in compliance with the obligations laid down by ESA 2010.

19 <http://www.bde.es/webbde/es/estadis/infoest/e0605e.pdf>.

GENERAL GOVERNMENT FINANCIAL ASSETS (a)

TABLE 5

€m and % of GDP	2012	2013	2014	2015	2016	2017
1 Non-consolidated general government financial assets (1 = 1.1 + 1.2 + 1.3 + 1.4 + 1.5)	578,096	644,194	670,675	632,818	625,572	655,756
As % of GDP	55.6	62.8	64.6	58.6	55.9	56.4
1.1 Currency and deposits	84,693	72,709	83,925	85,453	79,287	92,939
1.2 Debt securities	74,177	86,921	69,866	52,383	27,610	23,860
Short-term	5,857	2,445	580	1,918	375	3,578
Long-term	68,319	84,476	69,286	50,464	27,235	20,282
1.3 Loans	176,152	224,580	254,176	225,758	247,117	270,807
1.4 Shares and other equity	143,789	150,741	155,036	166,767	174,870	170,397
1.5 Other accounts receivable	99,285	109,243	107,673	102,457	96,688	97,753
2 Consolidated general government financial assets (2 = 1 - 3)	351,323	372,508	383,256	382,557	379,207	388,719
As % of GDP	33.8	36.3	36.9	35.4	33.9	33.4
3 Consolidation (3 = 3.1 + 3.2 + 3.3)	226,773	271,685	287,419	250,261	246,364	267,037
3.1 Debt securities	69,281	72,968	61,365	48,549	24,643	21,041
3.2 Loans	117,702	161,299	189,709	163,665	186,386	210,896
3.3 Other accounts receivable	39,789	37,418	36,346	38,048	35,335	35,101

SOURCE: Banco de España.

a Additional and detailed quarterly data are published in Table 2.16 of the FASE.
http://www.bde.es/webbde/es/estadis/ccff/cf_2_16ab.pdf.

DEBT OF PUBLIC CORPORATIONS (a)

TABLE 6

€m and % of GDP	2012	2013	2014	2015	2016	2017
1 EDP debt of public corporations (1 = 1.1 + 1.2 + 1.3)	47,472	45,824	43,546	43,322	39,702	38,233
As % of GDP	4.6	4.5	4.2	4.0	3.5	3.3
1.1 Public corporations controlled by central government	33,436	33,270	33,054	33,189	30,900	30,752
As % of GDP	3.2	3.2	3.2	3.1	2.8	2.6
1.2 Public corporations controlled by regional government	7,106	6,133	5,520	4,997	4,457	3,750
As % of GDP	0.7	0.6	0.5	0.5	0.4	0.3
1.3 Public corporations controlled by local government	6,930	6,421	4,972	5,137	4,345	3,731
As % of GDP	0.7	0.6	0.5	0.5	0.4	0.3

SOURCE: Banco de España.

a In Tables 11.14, 12.10 y 13.11 of the Banco de España *Statistical Bulletin*, additional information is published quarterly, broken down by corporation and controlling tier of government.
<http://www.bde.es/webbde/es/estadis/infoest/a1114e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1210e.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a1311e.pdf>.

and by regional²⁰ and local²¹ government. According to this information, the volume of these guarantees granted by the State has fallen by 7.9 pp of GDP from the 2012 peak, down to 8.3% of GDP in 2017, above all as a result of the decline in the outstanding guarantees with credit institutions.²² The sum of regional and local government

²⁰ <https://www.bde.es/webbde/es/estadis/infoest/a1307e.pdf>.

²¹ <https://www.bde.es/webbde/es/estadis/infoest/a1407e.pdf>.

²² Against the backdrop of the financial crisis, guarantees were given to a number of credit institutions for issuance of securities, pursuant to Royal Decree 7/2008 of 13 October 2008 on urgent economic and financial measures in connection with the Concerted European Action Plan of the Euro Area Countries. These guarantees were terminated in March 2017.

guarantees is significantly lower, amounting to 0.3% of GDP in total in 2017, very similar to the 2016 figure.

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 3.3% of GDP at end-2017 (see Table 6), down in nominal terms for the sixth consecutive year. In consequence, the cumulative decline since 2011 amounts to €11 billion and is especially marked in the case of public corporations controlled by regional and local governments.

7.6.2018.

REFERENCES

- BURRIEL, P., F. MARTÍ and J. J. PÉREZ (2017), "The impact of unconventional monetary policy on euro area public finances", *Economic Bulletin*, 3/2017, Analytical Articles, September, Banco de España.
- DELGADO-TÉLLEZ, M., P. HERNÁNDEZ DE COS, S. HURTADO and J. J. PÉREZ (2015), *Extraordinary mechanisms for payment of general government suppliers in Spain*, Occasional Paper 1501, Banco de España.
- DELGADO-TÉLLEZ, M. and J. J. PÉREZ (2018), "El acceso a la financiación de los mercados por parte de las Comunidades Autónomas", *Boletín Económico*, 1/2018, Notas Económicas, March, Banco de España.
- GORDO, L., 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.
- HERNÁNDEZ DE COS, P., D. LÓPEZ RODRÍGUEZ and J. J. PÉREZ (2018), *The challenges of public deleveraging*, Occasional Paper 1803, Banco de España.