

Developments in public debt in Spain in 2016

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Introduction

In 2016, the public debt/GDP ratio fell for the second year running since 2008, dipping to 99.4% against 99.8% in 2015 (see Chart 1). The combination of high economic growth and a favourable *deficit-debt adjustment*¹ has enabled the effect of the budget deficit on general government debt to be offset. In the euro area this ratio stood at 89.2%, a figure also slightly down on that of 90.3% recorded in 2015.

This note describes developments over the past year in Spanish general government debt, drawing on the statistics released by the Banco de España. In this connection, the second section analyses how the concept of public debt most habitually used in the European Union – that defined in accordance with the Excessive Deficit Protocol (EDP)² criteria – has changed, on the basis of the behaviour of its fundamentals and of its breakdown by level of government, maturity, instrument and holder. The third section shows the main factors that have affected the *deficit-debt adjustment*, which enables general government net borrowing (deficit) to be reconciled with the changes in the stock of EDP debt. Finally, the fourth section reviews the course in 2016 of other variables related to general government debt³, such as total liabilities, net debt, contingent liabilities and the debt of public corporations.

Developments in Spanish public debt in 2016

General government debt, compiled following EDP criteria, is made up of general government liabilities, which are broken down into currency and deposits, securities other than shares (excluding financial derivatives) and loans, all values at their nominal value, and excluding the liabilities that are assets of other general government sectors.

For analytical purposes, it is advisable to disaggregate the change in the debt ratio as a percentage of GDP into its fundamentals: a) the level of the primary budget deficit⁴, which needs to be financed and, therefore, translates into an increase in debt; b) interest expenses generated by public debt, which must also be financed; c) the so-called *deficit-debt adjustment*, and d) the change in nominal GDP, as an increase (decrease) in this variable mechanically generates a reduction (increase) in the debt ratio, owing to the ratio denominator effect.

According to this disaggregation, the year 2016 saw a fresh reduction in the Spanish public debt ratio of 0.5 pp of GDP, similar to that recorded in 2015, when the uptrend that

1 The deficit-debt adjustment allows the general government net borrowing or deficit figures to be reconciled with those for the changes in the stock of debt according to the Excessive Deficit Protocol.

2 This is the relevant concept of indebtedness for the purposes of the ceilings set in the European Stability and Growth Pact and the Spanish Law on Budgetary Stability and Financial Sustainability, and it is defined in the Community regulations. Specifically, the current definition of this indebtedness is regulated by Commission Regulation (EU) No 220/2014 of 7 March 2014. Inter alia, these regulations oblige EU Member States to send twice-yearly (at the end of March and the end of September) to the European Commission (and, specifically, to Eurostat) the data corresponding to this definition by sub-sector, with an extensive breakdown of certain headings and operations. These data transmissions are known as “EDP Notifications”.

3 For a methodological discussion of the main concepts of general government debt, 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.

4 The primary deficit is the deficit excluding interest payments.

EDP DEBT IN SPAIN AND THE EURO AREA

CHART 1



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

NOTE: Detailed quarterly data are published in Table 2, Chapter 11 of the *Statistical Bulletin* and in Table 2.16 of the *FASE*.

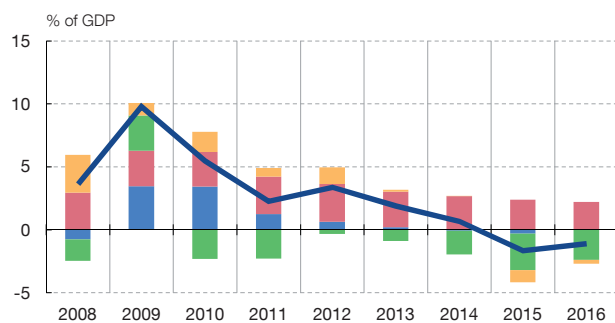
<http://www.bde.es/webbde/es/estadis/infoest/a1102e.pdf>.

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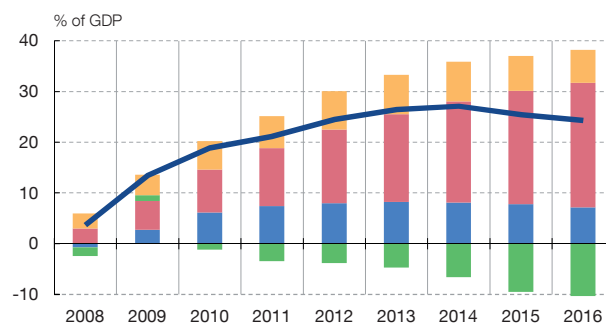
DETERMINANTS OF THE CHANGE IN EDP DEBT IN THE EURO AREA AND IN SPAIN

CHART 2

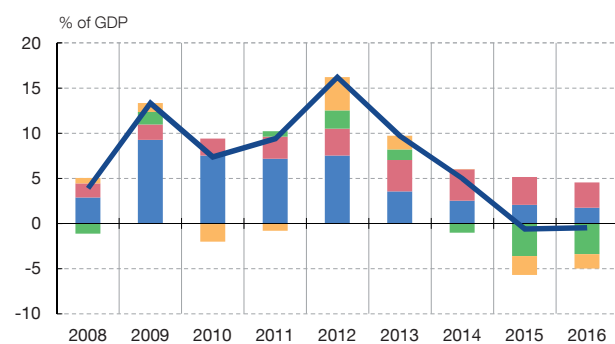
1 EURO AREA



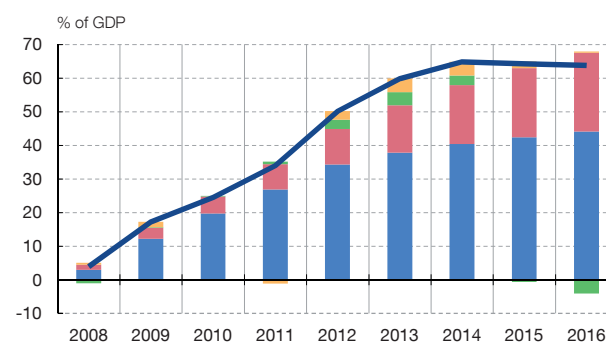
2 EURO AREA, IN CUMULATIVE TERMS



3 SPAIN



4 SPAIN, IN CUMULATIVE TERMS



SOURCES: Banco de España and Eurostat.

NOTE: Detailed quarterly data are published in Table 9, Chapter 11 of the Banco de España *Statistical Bulletin*.

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

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

TABLE 1

	2010	2011	2012	2013	2014	2015	2016
Panel 1 Determinants of the change in the EDP debt / GDP ratio							
1 Change in the EDP debt / GDP ratio (1 = 2 + 3 + 4)	7.4	9.4	16.2	9.7	5.0	-0.6	-0.5
2 due to net borrowing (deficit) (2 = 2.1 + 2.2)	9.4	9.6	10.5	7.0	6.0	5.1	4.5
2.1 Primary deficit	7.5	7.2	7.5	3.5	2.5	2.0	1.7
2.2 Debt interest payment	1.9	2.5	3.0	3.5	3.5	3.1	2.8
3 Due to deficit-debt adjustment	-1.9	-0.8	3.7	1.5	0.0	-2.1	-1.6
4 Effect of change in GDP	-0.1	0.6	2.1	1.2	-1.0	-3.6	-3.4
Panel 2 Change in debt and breakdown of deficit-debt adjustment, €m (b)							
A Change in EDP debt (A = B + C)	80,543	94,244	147,179	87,529	62,593	32,270	33,058
B Due to general government net borrowing (deficit)	101,429	102,881	108,886	71,836	62,161	55,128	50,576
C Due to deficit-debt adjustment	-20,886	-8,637	38,293	15,693	432	-22,858	-17,518
C.1 Net purchases of consolidated financial assets	-15,390	-1,277	17,396	-10,215	4,963	-14,371	-11,872
Loans to Ireland, Greece and Portugal under the EFSF	0	2,067	15,825	4,800	1,224	-1,394	0
Spain's participation in the ESM	0	0	3,809	3,809	1,905	0	0
Financial assistance to Greece. Hellenic Fund	2,598	4,052	0	10	0	0	0
From the FROB (Fund for the Orderly Restructuring of the Banking Sector)	50	-2,790	13,129	-801	-2,504	-1,357	-2,741
From the FAAF (Fund for the Acquisition of Financial Assets)	-2,114	-11,221	-6,000	0	0	0	0
From the FADE (Electricity Deficit Amortisation Fund)	0	10,076	5,765	7,891	-851	-2,320	-1,418
Other assets	-15,924	-3,461	-15,132	-25,924	5,189	-9,300	-7,713
Change in cash/deposits (excluding FAAF, FROB and FADE)	-13,800	-12,478	4,754	-23,844	12,691	1,802	-4,848
Securities issued by foreign general government sectors (Reserve Fund)	-5,518	-1,013	-5,040	0	-1,528	0	0
Change in other loans, shares and other equity	5,846	4,774	-24,834	484	1,149	-1,521	2,068
Of which: privatisation of AENA	0	0	0	0	0	-3,439	-303
Other assets	-2,452	5,256	9,989	-2,565	-7,123	-9,582	-4,933
C.2 Trade credits and other consolidated payables	-6,233	-10,776	24,260	6,154	700	575	857
Fund for the Financing of Payments to Suppliers (c)	0	0	27,781	8,344	7,010	—	—
Reclassification of factoring without recourse operations	0	0	4,511	0	0	0	1
Other	-6,233	-10,776	-8,032	-2,190	-6,310	575	856
C.3 Valuation adjustments and other	737	3,416	-3,363	19,755	-5,232	-9,061	-6,502

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 row means that the nominal debt increases and a negative figure that it decreases.

c Dissolved by RDL 17/2014 of 26 December (see footnote 10 in main text). Accordingly, it features as not available in 2015 and 2016.

	As % of GDP						% of total		
	2011	2012	2013	2014	2015	2016	2015	2016	Change 2016-2015
1 General government debt (1 = 2.1 + 2.2 + 2.3 = 3.1 + 3.2 + 3.3 = 4.1 + 4.2)	69.5	85.7	95.5	100.4	99.8	99.4			
2 By type									
2.1 Currency and deposits	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.0
2.2 Securities	57.1	64.4	74.2	79.2	81.2	82.6	81.3	83.1	1.7
2.2.1 Short-term	6.9	5.8	7.7	7.5	7.5	7.4			
2.2.2 Long-term	50.1	58.6	66.5	71.8	73.7	75.2			
2.3 Loans	12.1	21.0	20.9	20.8	18.2	16.4	18.3	16.5	-1.7
2.3.1 Short-term	1.4	1.5	1.2	1.1	1.0	0.9			
2.3.2 Long-term	10.7	19.5	19.7	19.7	17.2	15.6			
3 By maturity									
3.1 Currency and deposits	0.3	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)	8.4	7.3	8.9	8.6	8.6	8.2	8.6	8.3	-0.3
3.3 Long-term (3.3 = 2.2.2 + 2.3.2)	60.8	78.1	86.2	91.5	90.9	90.8	91.1	91.3	0.3
4 By holder									
4.1 Residents	44.6	53.7	58.7	58.7	55.4	54.6	55.5	55.0	-0.5
of which: Resident financial institutions	31.4	38.1	41.5	44.4	42.9	52.9	43.0	53.2	10.2
of which: Banco de España	3.3	3.6	3.7	3.9	8.3	12.8	8.3	12.9	4.6
4.2 Rest of the world	25.0	32.1	36.8	41.8	44.5	44.7	44.5	45.0	0.5

SOURCE: Banco de España.

NOTE: 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>.

began in 2008 (see Chart 2 and Table 1) was reversed. Specifically, with regard to the determinants of the change in debt last year, the primary deficit and the interest burden contributed 1.7 pp and 2.8 pp of GDP, respectively (0.3 pp of GDP down on 2015 in both cases), meaning that the budget deficit was 4.5 pp of GDP in 2016.⁵ However, these increases were more than offset by the contributions of nominal GDP growth and the deficit-debt adjustment, which reduced the ratio by 3.4 pp and 1.6 pp, respectively (3.6 pp and 2.1 pp the previous year). In the case of the euro area, the ratio fell by 1.1 pp in 2016, mainly due to nominal GDP, which contributed 2.4 pp of GDP, and, to a lesser extent, to the primary surplus and the deficit-debt adjustment, which respectively contributed 0.7 pp and 0.3 pp to the decline in the ratio, which more than offset the contrary effect of the interest burden, which stood at 2.2 pp of GDP.

In terms of its structure, Spanish general government debt in 2016 was concentrated in long-term instruments⁶ (91.3% of the total), with an average life slightly longer than six years, and it mainly took the form of securities (83.1% of the total) whose weight increased at the expense of loans (see Table 2). The weight of debt holdings by non-residents increased slightly on the previous year, firming the change in trend initiated in 2012 (see Chart 3). The ECB's public sector purchase programme, which has been running since 9 March 2015⁷, has significantly affected the structure of general government debt holders. From 2015 to 2016,

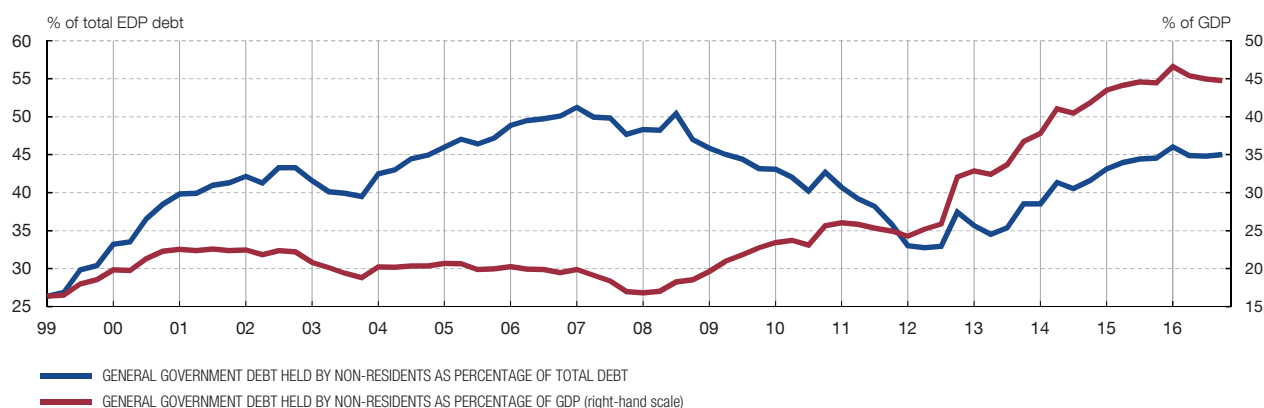
⁵ The budget deficit excluding aid to the financial system was 4.3 pp of GDP in 2016.

⁶ Securities whose maturity exceeds 12 months are considered to be long-term.

⁷ The description of the programme can be found on the ECB website at: <https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>.

SPANISH GENERAL GOVERNMENT EDP DEBT HELD BY NON-RESIDENTS

CHART 3

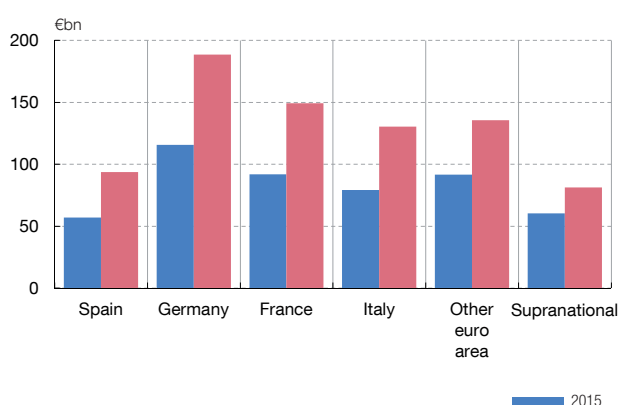


SOURCES: Banco de España and Eurostat.

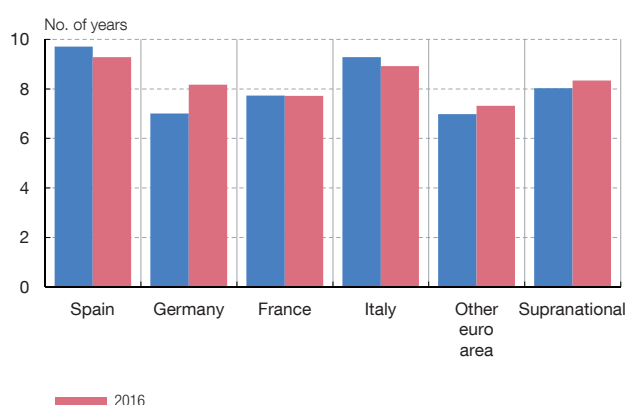
ECB PUBLIC SECTOR PURCHASE PROGRAMME

CHART 4

1 TOTAL AMOUNT PURCHASED, BY DEBT-ISSUING COUNTRY



2 AVERAGE MATURITY PERIOD (IN DECEMBER), BY DEBT-ISSUING COUNTRY



SOURCE: ECB.

Monthly information available on the ECB's website:

<https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>.

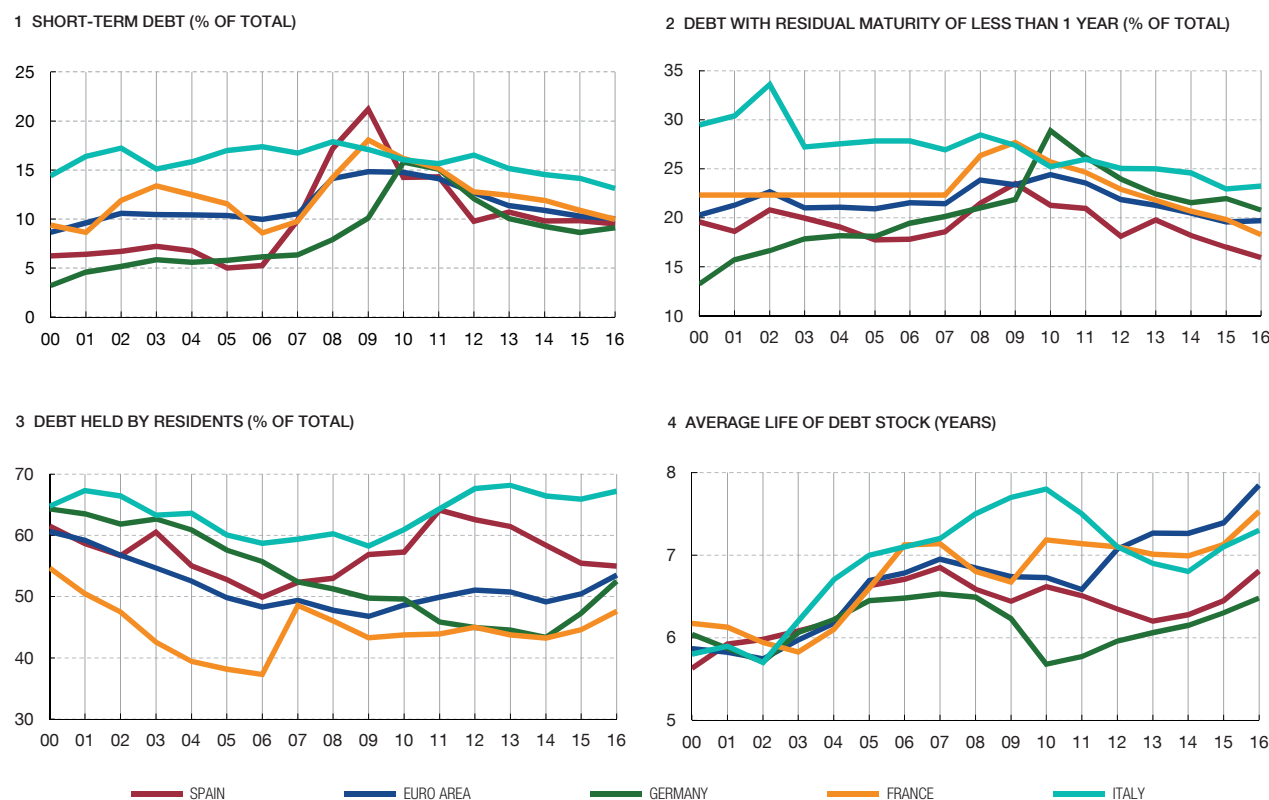
Supranational bodies are institutions made up by two or more national governments. Securities of the European Stability Mechanism (ESM), of the European Financial Stability Facility (EFSF) and of the European Union, for example, have been purchased.

the Eurosystem acquired public debt from the euro area countries for a value of 4.7% and of 7.2% of their GDP in 2015 and 2016, respectively⁸ (see Chart 4). As a result, Spanish public debt holdings by the Banco de España stood at 12.9% of the total public debt (12.8% of GDP) (see Table 2 once more). The average repayment period for public debt assets acquired within the programme was over eight years, while that for the Spanish public debt securities acquired stood at over nine years (see right-hand scale of Chart 3).

From a comparative perspective, the weight of short-term debt in 2016 continued to diminish relative to the total debt in the main euro area countries (see Chart 5).

In turn, as in recent years, the percentage of the volume of debt maturing in less than one

⁸ That is to say, €495 billion in 2015 and €778 billion in 2016 for the total for the euro area.



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>
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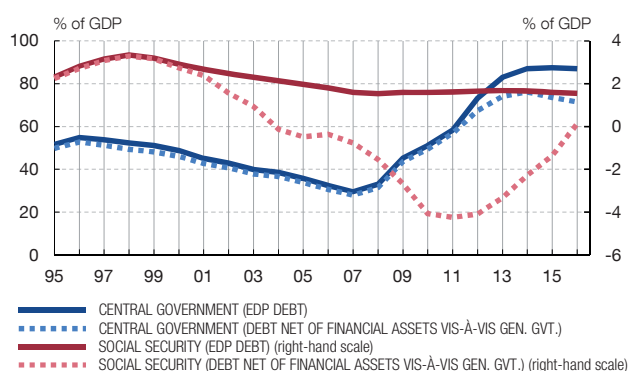
year diminished in aggregate terms, entailing a slight increase in the average life of the stock of debt both in Spain and in the euro area. The percentage of total debt held by residents increased slightly in the euro area (up to 53.5%), albeit unevenly from country to country, with Spain standing out owing to its declining path in recent years.

Against a background marked by high general government decentralisation, it is worth analysing the distribution of public debt by sub-sector: central government, Social Security, regional government and local government.

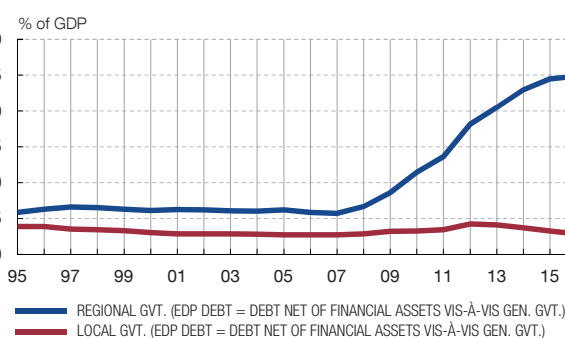
Here it is important to bear in mind the debt operations between the different sub-sectors, given that in some cases the increase observed in one level of government arises in order to finance another. In this respect, this type of operation has in recent years led to an increase in the central government debt issued on the market, which has been used to finance regional governments and local governments, although there have also been operations between central government and the Social Security Reserve Fund. Nonetheless, these operations between sub-sectors are consolidated when calculating the aggregate debt for the overall general government sector.

Unconsolidated central government debt stood at 87% of GDP in 2016, 0.4 pp down on 2015 (see Chart 6). If it is taken into account that financing granted to other levels of general government, chiefly vis-à-vis the regional governments, has increased to 15.5 pp, the total

1 CENTRAL GOVERNMENT AND SOCIAL SECURITY



2 REGIONAL GOVERNMENTS AND LOCAL GOVERNMENTS



SOURCE: Banco de España.

NOTE: Detailed quarterly information by instrument and level 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>.

volume of central government debt, once the financial claims on the other levels of general government are discounted, declined by 2 pp in 2016. The Social Security system posted debt of 1.5% of GDP, 0.1 pp down on 2015. At the same time, the amount of other general government assets held by the Social Security Reserve Fund fell once again in 2016. These assets, which came to account for 5.8% of GDP in 2011, fell in 2016 to 1.4%. Thus, for the first time since 2003, Social Security debt net of these financial assets was slightly positive (0.1% of GDP).⁹

With regard to regional governments as a whole, their debt increased in 2016 by 0.4 pp to 24.9% of GDP. The increase was across the board in the regions, but of differing intensity, with the debt level standing in some at over 30% of their regional GDP (see Chart 7). Local governments reduced their debt level in 2016 for the fourth year running, by 0.4 pp of GDP to 2.9% of GDP. Local government holdings of debt issued by other general government sectors are zero (see Chart 6), while regional governments have in recent years received a significant volume of financing from central government. As from 2015, regional government debt held by central government is in the Regional Government Financing Fund.¹⁰

In 2016, regional governments as a whole continued increasing their dependency on central government financing, with the percentage of their total debt held by the latter rising from 47.7% in 2015 to 53.7% in 2016 (see Chart 8).

The deficit-debt adjustment in 2016

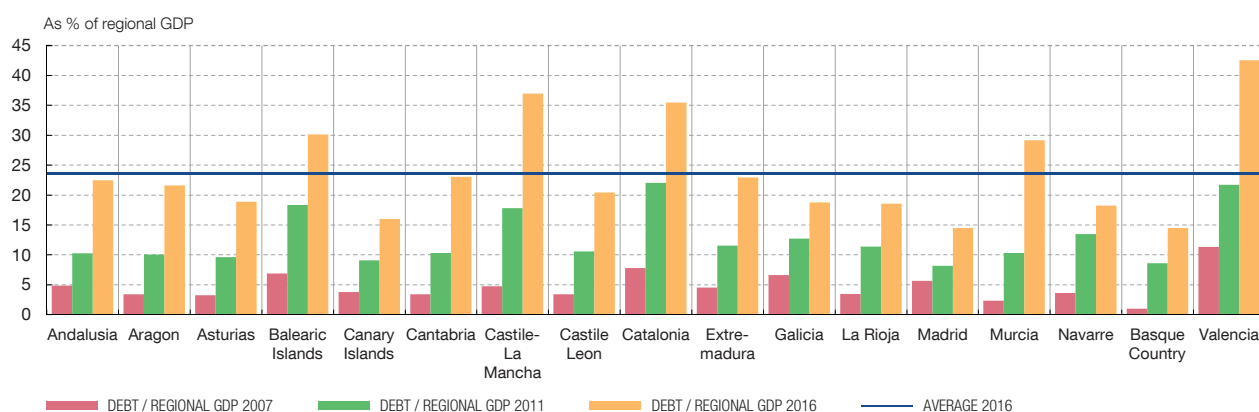
The so-called deficit-debt adjustment has been a significant factor in public debt dynamics in Spain (and in other countries) since the start of the crisis, as a result of the diverse

⁹ According to the draft State Budget for 2017, the State will grant a loan of €10,192 million to the Social Security system to enable coverage of its obligations and a balanced Budget for this year.

¹⁰ Organic Law 2/2012 of 27 April 2012 on Budgetary Stability and Financial Sustainability establishes in its first additional provision that Regional Governments and Local Governments may request extraordinary liquidity support measures of the State. Under these provisions the State has set in train several mechanisms since 2012, such as the Fund for the Financing of Payments to Suppliers (FFPP), the Regional Government Liquidity Fund (FLA) and the extraordinary support measures aimed at municipalities with financial problems. The common aim of all the foregoing is to provide liquidity to regional and local government alike. Under Royal Decree-Law 17/2014 of 26 December 2014, the Fund for the Financing of Regional Government was created, assuming the debt, as of December 2014, of the FFPP and the FLA, the latter two funds being dissolved.

REGIONAL GOVERNMENTS' EDP DEBT

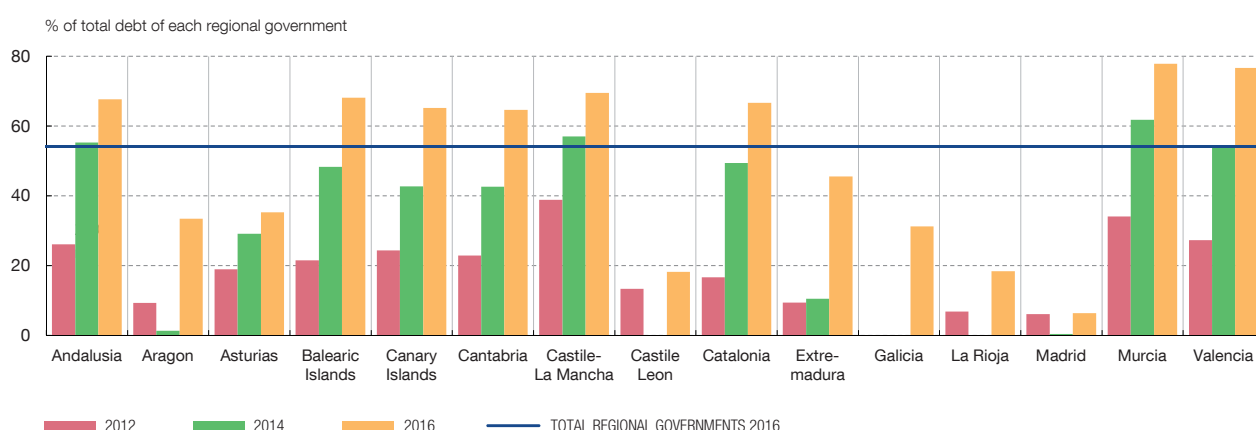
CHART 7



SOURCE: Banco de España.

REGIONAL GOVERNMENT DEBT VIS-À-VIS CENTRAL GOVERNMENT ARISING FROM ADDITIONAL LIQUIDITY SUPPORT MECHANISMS (a)

CHART 8



SOURCE: Banco de España.

a The Navarre and Basque Country 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 Fund for the Financing of Regional Governments, 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, similar to the former FLA, for regional governments that have not met such targets; and the Social Fund, to finance regional governments' outstanding debts with local governments, in order to ensure continued compliance with the agreements on social spending.

financial operations in which general government sectors have been involved, although in cumulative terms in recent years its impact has been scant (see Chart 2 and Table 1, panel 2). Specifically, these adjustments reduced the outstanding balance of debt in 2010 and 2011, changed sign in 2012, and contributed to increasing debt that year by 3.7 pp of GDP and in 2013 by 1.5 pp of GDP. In 2014 their effect was nil, resuming a negative value in 2015 and in 2016 (reducing debt by 2.1 pp and 1.6 pp of GDP, respectively), a change attributable in the main to the disposal of financial assets.

For illustrative purposes, the following conceptual categories may be distinguished in the deficit-debt adjustment: Net acquisitions of consolidated financial assets (block C.1 of Table 1), Consolidated trade credits and other payables (block C.2 of Table 1), and Valuation

DIFFERENT CONCEPTS OF GENERAL GOVERNMENT DEBT

TABLE 3

€m and percentage breakdown as at 31.12.2016

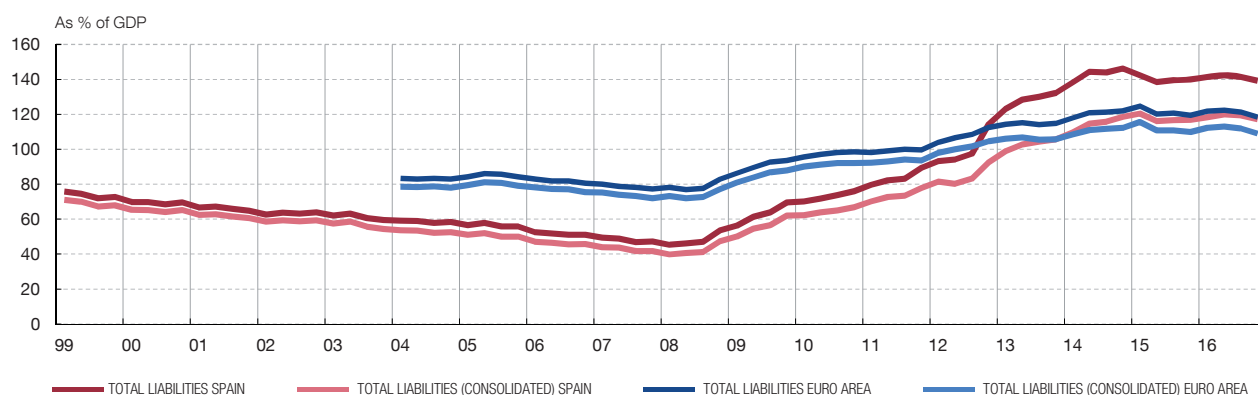
	EDP debt		Liabilities of the <i>Financial Accounts of the Spanish Economy</i>		Consolidated liabilities of the <i>Financial Accounts of the Spanish Economy</i>	
1 Currency and deposits	4,247	0.4%	4,247	0.3%	4,247	0.3%
2 Securities other than shares	919,611	83.1%	1,087,340	70.2%	1,062,696	81.4%
General Government securities	—	—	24,644	1.6%	—	—
Other securities (short-, medium- and long-term)	919,611	83.1%	1,062,696	68.6%	1,062,696	81.4%
3 Cross-general government long-term debt	—	—	186,386	12.0%	—	—
4 Other long-term loans	173,608	15.7%	173,608	11.2%	173,608	13.3%
5 Short-term loans	9,485	0.9%	9,485	0.6%	9,485	0.7%
6 Trade credits and other inter-general government liabilities	—	—	32,787	2.1%	—	—
7. Other trade credits and other liabilities	—	—	55,691	3.6%	55,691	4.3%
8 TOTAL (8 = 1 + 2 + 3 + 4 + 5 + 6 + 7)	1,106,952	100.0%	1,549,545	100.0%	1,305,727	100.0%
Percentages of GDP mp	—	99.4%	—	139.1%	—	117.2%
Memorandum item: GDP mp of the year 2016	1,113,851					

SOURCE: Banco de España.

NOTE: Detailed data are published quarterly in Table 1 of Chapter 11 of the *Statistical Bulletin* and in Tables 2.16.a and 2.38.a 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.http://www.bde.es/webbde/es/estadis/ccff/cf_2_38ab.pdf.

TOTAL GENERAL GOVERNMENT LIABILITIES IN SPAIN AND THE EURO AREA

CHART 9



SOURCES: Banco de España and Eurostat.

NOTE: Detailed quarterly data are published in Table 1, 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.

adjustments and other (block C.3 of Table 1).

In 2016, net sales of consolidated financial assets (block C.1 of Table 1) totalling €11.9 billion were made, which contributed to the reduction in debt, following the trend initiated in 2015. Of note are the repayments related to the Electricity Deficit Amortisation Fund (FADE) and the operations of the Fund for the Orderly Restructuring of the Banking Sector (FROB). Also, holdings of currency and deposits declined.

TRADE CREDITS AND OTHER GENERAL GOVERNMENT ACCOUNTS PAYABLE

TABLE 4

€m and % of GDP

	2010	2011	2012	2013	2014	2015	2016
Total General government	98,667	131,443	105,260	96,707	93,901	92,444	88,478
As % of GDP	9.1	12.3	10.1	9.4	9.1	8.6	7.9
Vis-à-vis non-financial corporations and households	76,130	87,388	64,359	58,015	57,002	55,270	54,387
As % of GDP	7.0	8.2	6.2	5.7	5.5	5.1	4.9
Vis-à-vis general government (consolidation)	22,189	43,334	39,789	37,418	35,849	36,464	32,787
As % of GDP	2.1	4.0	3.8	3.6	3.5	3.4	2.9
Vis-à-vis other economic sectors	349	721	1,112	1,274	1,050	709	1,304
As % of GDP	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Central government	29,349	31,205	35,470	32,675	36,596	35,639	34,976
Vis-à-vis non-financial corporations and households	23,941	26,235	30,169	26,677	29,442	27,547	27,966
Vis-à-vis general government (consolidation)	5,399	4,767	4,619	5,192	6,584	7,687	5,967
Vis-à-vis other economic sectors	9	203	682	806	569	405	1,043
Regional government	33,358	60,907	39,206	35,640	28,732	25,293	21,932
Vis-à-vis non-financial corporations and households	27,234	36,758	17,742	16,489	11,827	9,207	6,794
Vis-à-vis general government (consolidation)	5,949	23,849	21,200	18,901	16,605	15,867	14,949
Vis-à-vis other economic sectors	175	300	264	250	301	219	189
Local government	24,390	28,186	18,851	17,292	17,558	17,421	17,084
Vis-à-vis non-financial corporations and households	22,766	22,627	14,256	13,151	14,099	13,840	14,556
Vis-à-vis general government (consolidation)	1,459	5,341	4,430	3,923	3,280	3,496	2,456
Vis-à-vis other economic sectors	165	219	165	218	180	85	72
Social Security Funds	11,571	11,145	11,733	11,101	11,014	14,091	14,486
Vis-à-vis non-financial corporations and households	2,189	1,768	2,192	1,698	1,634	4,676	5,071
Vis-à-vis general government (consolidation)	9,382	9,377	9,541	9,403	9,380	9,415	9,415
Vis-à-vis other economic sectors	0	0	0	0	0	0	0

SOURCE: Banco de España.

NOTE: Quarterly 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/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>.

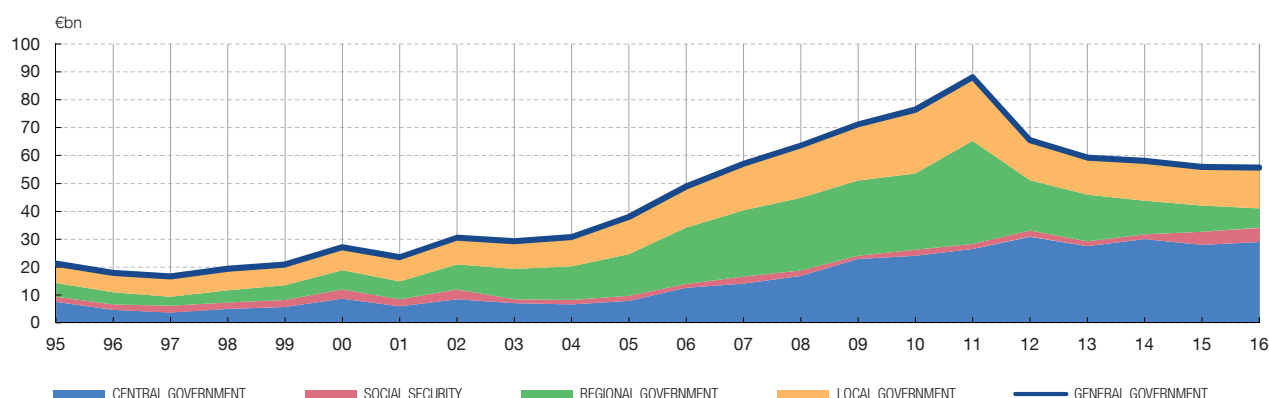
There were scarcely any movements in 2016 in the category of Consolidated trade credits and other payables (block C.2 of Table 1). Moreover, Valuation adjustments and other (block C.3 of Table 1) contributed negatively to the deficit-debt adjustment, which was due in the main to the effect of positive issue premia. The positive issue premium is the amount additional to the nominal value disbursed by purchasers of the debt security. These premia are not included in the valuation of EDP debt since, according to the methodology for this statistic, only the nominal value of the issues is taken into account.

Financial liabilities and assets and other types of public indebtedness

This section describes the financial liabilities and assets from an accounting perspective (which differs slightly from the EDP methodology), certain general government contingent obligations and also the debt of public corporations.

TOTAL GENERAL GOVERNMENT LIABILITIES

According to the *Financial accounts of the Spanish economy* (FASE), the total liabilities



SOURCE: Banco de España.

NOTE: The amounts accumulated at year-end are included in the chart. 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>.

incurred by general government include, in addition to the above-mentioned EDP debt, 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.¹¹

In 2016, general government liabilities fell by 2 pp of GDP to 139.1% of GDP (see Table 3 and Chart 9). However, once operations between the different levels of general government are taken into account, the consolidated liabilities of general government are notably lower (117.2% of GDP), although they are above the related level in the euro area (109% 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 €145.2 billion in 2016 (13 pp of GDP), owing to the impact that the significant reduction in interest rates at all terms in recent years has had on public debt prices.

As to the stock of general government trade credits and other payables, the ongoing reduction in these general government liabilities to households and firms continued in 2016, standing at €88.5 billion; accordingly, there has now been a cumulative decline of 3.3 pp of GDP in these liabilities from the peak of €131.4 billion recorded in 2011 (see Table 4 and Chart 10).¹²

NET GENERAL GOVERNMENT DEBT

Reference is also usually made in the analysis of public indebtedness to the concept of “net public debt”, which is obtained by departing from general government debt in gross terms and deducting a portion or all of the outstanding balance of financial assets. Table 5 shows total general government financial assets in recent years in Spain. These accounted in 2016 for 33.2% of GDP in terms of consolidated assets, a percentage that has held fairly stable in the past four years. If total consolidated financial assets were deducted from total consolidated

¹¹ The valuation of liabilities in the *Financial accounts of the Spanish economy* 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.

¹² This ongoing process of reducing general government trade debt is due to the launch of various mechanisms in support of regional government and local government in order to normalise general government payment periods to their suppliers (see M. Delgado-Téllez, P. Hernández de Cos, S. Hurtado and J. J. Pérez (2017), “The macroeconomic impact of delayed government payments: a case study”, *Public Finance and Management*, forthcoming).

GENERAL GOVERNMENT FINANCIAL ASSETS

TABLE 5

€m and % of GDP

	2010	2011	2012	2013	2014	2015	2016
1 Non-consolidated general government financial assets (1=1.1+1.2+1.3+1.4+1.5)	395,228	442,328	574,483	640,594	667,112	626,751	613,882
As % of GDP	36.6	41.3	55.3	62.5	64.3	58.3	55.1
1.1 Currency and deposits	95,114	77,523	84,693	72,709	83,925	85,453	79,287
1.2 Securities other than shares	83,372	77,656	74,177	86,921	69,866	52,383	27,611
Short-term	3,712	2,211	5,857	2,445	580	1,918	375
Long-term	79,660	75,446	68,319	84,476	69,286	50,464	27,236
1.3 Loans	51,191	63,843	173,439	221,867	251,130	222,461	244,088
1.4 Shares and other equities	102,905	127,237	142,889	149,855	154,519	163,520	167,146
1.5 Other accounts receivable	62,646	96,069	99,284	109,242	107,672	102,935	95,750
2 Consolidated general government financial assets (2 = 1-3)	294,857	318,579	347,710	368,908	380,189	378,073	370,066
As % of GDP	27.3	29.8	33.4	36.0	36.7	35.1	33.2
3 Consolidation (3 = 3.1+3.2+3.3)	100,371	123,749	226,773	271,685	286,923	248,678	243,817
3.1 Securities other than shares	61,014	63,247	69,281	72,968	61,365	48,549	24,644
3.2 Loans	17,169	17,169	117,702	161,299	189,709	163,665	186,386
3.3 Other accounts receivable	22,189	43,334	39,789	37,418	35,849	36,464	32,787

SOURCE: Banco de España.

NOTE: 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

TABLE 6

€m and % of GDP

	2010	2011	2012	2013	2014	2015	2016
1 EDP debt of public corporations (1 = 1.1 + 1.2 + 1.3)	48,684	49,188	47,472	45,824	43,546	43,322	39,831
As % of GDP	4.5	4.6	4.6	4.5	4.2	4.0	3.6
1.1 Public corporations controlled by central government	28,658	31,677	33,436	33,270	33,054	33,189	30,894
As % of GDP	2.7	3.0	3.2	3.2	3.2	3.1	2.8
1.2 Public corporations controlled by regional government	10,958	9,551	7,106	6,133	5,520	4,997	4,592
As % of GDP	1.0	0.9	0.7	0.6	0.5	0.5	0.4
1.3 Public corporations controlled by local government	9,068	7,960	6,930	6,421	4,972	5,137	4,345
As % of GDP	0.8	0.7	0.7	0.6	0.5	0.5	0.4

SOURCE: Banco de España.

NOTE: 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 the tier of government which owns it.<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>.

liabilities, the resulting net liabilities would stand at 84% of GDP at end-2016, a very similar figure to that of the previous year.

CONTINGENT LIABILITIES

General government occasionally grants guarantees on the debt incurred by other institutional sectors. These operations are not recorded as liabilities in the general government accounts, given that the guaranteed debt is already recorded among the liabilities of the agent receiving the guarantee.¹³ However, they do entail contingent liabilities for public finances insofar as the guarantee might be fully or partly enforced. Were this to occur, a capital transfer paid to the original debtor would be recorded as a counterpart 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 State¹⁴, the regional governments¹⁵ and the local governments¹⁶. According to this information, the volume of these operations granted by the State fell by 7.2 pp of GDP from their 2012 peak to stand at 9% of GDP in 2016, as a result, above all, of the reduction in the outstanding guarantees with credit institutions.¹⁷ In the case of regional and local government, the amount of the guarantees is significantly lower, and stood overall at 0.3% of GDP in 2016, a very similar figure to that recorded the previous year.

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 3.6% of GDP at end-2016 (see Table 6), posting a fall, in nominal terms, for the fifth consecutive year. The cumulative decline in the last five years amounts to €9.4 billion, most notably relating to public corporations which report to regional governments, and to a lesser degree, to local governments.

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13 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 been part of the general government sector. In the case of future payment commitments in respect of spending on pensions, the European Commission (Eurostat) is conducting the necessary work to estimate them in compliance with the obligations laid down by ESA 2010.

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

15 <http://www.bde.es/webbde/es/estadis/infoest/a1307e.pdf>

16 <http://www.bde.es/webbde/es/estadis/infoest/a1407e.pdf>

17 Against the background of the financial crisis, guarantees were granted to a series of credit institutions for securities issues, as stipulated in Royal Decree 7/2008 of 13 October 2008 on urgent economic and financial measures in relation to the concerted action plan of the euro area countries. These guarantees were cancelled in March 2017.