

CATALONIA BACKGROUND INFORMATION [SERIES E / 2014 / 6.1 / EN]

Date: 10/09/2014

THE FISCAL DEFICIT OF CATALONIA WITH THE CENTRAL SPANISH ADMINISTRATION

- Catalonia contributes 19.2% of total central Administration revenue, but receives only 14% of total State spend
- If Social Security (unemployment included) is discounted, the spend received falls to 9.4%
- The Catalan fiscal deficit (monetary flow method) of 2011 reached 15,006 million euros, some 7.7% of the GDP
- During the period 1986 - 2011, Catalonia suffers on average an annual fiscal deficit of 8.0% of GDP

Background information and defensives

The fiscal balance measures the redistributive effect between territories of the Central Administration's fiscal policy, i.e., it shows the difference between the amount the State spends in a territory and the volume of revenue it takes from it to finance the total centralized public spending. A fiscal deficit exists when the income taken from a territory exceeds the spending assigned to its citizens, in other words, there is a net outgoing of fiscal resources.

Catalonia's fiscal balance for the year 2011 has been calculated according to two standard methodological approaches: monetary flow and tax-benefit incidence. According to the monetary flow method, Catalonia contributes 19.2% of the total income of the central Administration and receives 14.0% of the entire State expenditure. Therefore, Catalonia contributes in a proportion greater than its own weight in the state GDP (18.6% in the year 2011) and, in contrast, it receives a fraction of State expenditure that does not reach the weight of its population within the State (16%). Monetary flow is the method that captures the impact of the stimulus of central Administration spending on the receiving economies which becomes more important in times of economic crisis and high unemployment rates.

According to the monetary flow method, the fiscal deficit of Catalonia in the year 2011 stood at 15,006 million euros, equivalent to 7.7% of the GDP of Catalonia.

According to the tax-benefit incidence method, the Catalan fiscal deficit in the year 2011 stood at 11,087 million euros, which represented some 5.7% of the GDP of Catalonia.

	2011	
	million €	% GDP
Monetary Flow Method	-15,006	-7.7
Tax-benefit incidence method	-11,087	-5.7

THE IMPACT OF SOCIAL SECURITY

If the fiscal balance is calculated without Social Security (unemployment included), the spending received by Catalonia falls from 14.0% to 9.4%. This is due to the fact that Social Security spending (basically pensions and other cash benefits) is not subject to the discretionality of the territorial policies of Spain's Central Government. Social Security income and expenditure are linked to rights and obligations acquired on a personal basis.

	% Income contributed by Catalonia	% Expenditure received in Catalonia	Difference %received - %contributed
State + autonomous agencies + public enterprises	19.5	9.4	-10.1
Social Security	19.0	16.9	-2.1
Total in Catalonia	19.2	14.0	-5.2

The difference between the percentage Catalonia receives and that which Catalonia contributes is doubled when we consider discretionary spending. It goes from -5.2 to -10.1 percentage points.

During the period 1986 - 2011, Catalonia suffered on average an annual fiscal deficit of 8.0% of the Catalan GDP.

Government of Catalonia
Ministry of Economy and Knowledge