# New upward revision of Spain's macroeconomic projections, in a context of improvement in fiscal and debt metrics

## Macro perspectives for Spain and the finances of its Regional Governments

4Q2024 **EXECUTIVE SUMMARY**

BFF INSIGHTS

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## Executive Summary

### The global backdrop

**In recent months, global economic activity has maintained a robust pace of expansion – similar to that recorded in the second quarter – in a context in which inflation has prolonged its slowdown and in which signs of relaxation have begun to be seen in the tightening of the labour markets of the main advanced economies.**

Provisional figures show that GDP growth in the EZ in the third quarter accelerated to 0.4% qoq, above the consensus 0.2%, boosted by vigorous growth in Spain and a better tone than expected in the two main economies, France (0.4%) and Germany (0.2%). Among emerging economies, provisional figures show some pickup in China in the third quarter of the year to 0.9% qoq from 0.5% qoq in 2Q24.

**Global growth will converge to moderate levels in 2025.** In the US, forecasts are revised upwards due to better data, but a slowdown is expected in the future. In the eurozone, projections are unchanged: falling inflation and interest rates will drive a cyclical recovery. In China, recent stimulus will support growth, but it will hardly prevent a structural slowdown.

**There has been a significant adjustment in the outlook for interest rate developments, as a result of the fall in inflation expectations at the global level.** On the one hand, the US seems to be getting a 'soft landing' in economic activity, at the same time that price growth converges to the target. As a result, the Federal Reserve has started to cut the monetary policy rate earlier than expected and with a first larger than expected cut. Added to this is uncertainty about the future evolution of the Chinese economy, which influences expectations about global demand growth and pressures on global inflation.

Together, these factors shape a scenario in which the prospect of the ECB continuing to gradually ease financing conditions is consolidated. In fact, the market has already begun to price in a new decrease in the deposit rate by 25 basis points (bps) for the next meeting in December and an additional 125 bps in 2025, which would bring it to levels around 1.75% by the end of 2025. As a result, the 12-month Euribor stands at 2.53% as of early November, a value much lower than that observed in the same month of the previous year (4.1%).

**The euro area is growing in line with consensus expectations (0.7% in 2024, 1.4% in 2025) although with divergences between countries, sectors and components of demand.** In this regard, differences persist between the evolution of external and domestic demand, between services and manufacturing, and between Germany and the rest of the countries. Domestic consumption and investment continue to be a drag on growth – particularly the latter affected by the still high interest rates. Households continue to give preference to spending on services, which explains the growth of the sector, while parts of industry stagnate, still affected by structural changes in production costs and the effects of regulation. Sales of goods abroad rebound, driven by demand from the US and the United Kingdom, and despite the weakness shown by exports to China. While the rest of the eurozone is beginning to show signs of moderate but persistent growth, Germany's GDP remains largely stagnant.

Behind these dynamics, which are relatively generalized, there are, however, **some relevant divergences.** First, **the strength of global economic activity continues to be underpinned by the strength of services,** while manufacturing, which at the end of 2023 and early 2024 seemed to be beginning a process of gradual recovery, is once again showing obvious signs of weakness. Second, there are notable differences in the degree of dynamism of economic activity in several of the world's major economies. In particular, even after some recent negative surprises – consistent with a slight slowdown in the pace of growth – the momentum of economic activity remains strong in the United States. On the other hand, the performance of activity in the euro area and in China, which surprised to the downside in the second quarter, does not seem likely to experience a significant improvement in the second half of the year according to the available short-term indicators.

Thirdly, in relation to **inflation,** its gradual slowdown in recent months has been favoured, in general terms, by the downward surprises that have occurred in the evolution of energy prices – particularly oil – and food. However, core inflation and, especially, that of services continue to show greater downward resistance than anticipated.

In this scenario – compatible with a certain soft landing for the global economy after the extraordinary inflationary episode experienced in recent years – the main global central banks are beginning to reduce the restrictive tone of their monetary policy and the financial markets have significantly revised down their expectations for the future evolution of interest rates.

## Spain: growth continues to surprise on the upside

**In Spain, the pace of GDP growth surprised again to the upside in the third quarter – 0.8%, as in the previous quarter – and the most recent short-term indicators suggest that economic activity would continue to maintain considerable strength during the fourth quarter.**

The remarkable strength that the Spanish economy has been exhibiting in recent quarters – both in comparison with EMU and in relation to our own potential growth capacity – would respond, at least in part, **to a combination of various factors.** With the data up to the third quarter, Spain would be the country with the highest economic growth rate among advanced economies in 2024.

Among others, it is worth noting **the increase in population – via migratory flows –** the relative resilience of **Spanish manufacturing compared to those of other neighbouring countries and, above all, the high contribution of net foreign demand to GDP growth,** the latter maintaining a contribution of 0.5 pp to GDP growth with positive surprises in exports of services and negative in imports of tourism services.

Provisional growth data for the third quarter of 2024, of 0.8% QoQ, show that domestic demand has once again been the engine of growth, following the pattern of previous quarters. Consumption compensated for the sluggishness of investment. The contribution of net external demand was slightly negative.

Preliminary estimates from the National Statistics Institute (INE) show that domestic demand contributed 0.9pp QoQ to GDP growth. This evolution offset the slight negative surprise in net external demand, which subtracted 0.1pp from quarterly growth. Consumption, both private (1.4% QoQ) and public (2.2% QoQ), significantly exceeded expectations. In contrast, investment disappointed again, with a fall of 0.9% QoQ.

**Compared to the level of activity a year ago, GDP was 3.4% higher.** In year-on-year terms, domestic demand contributed 2.7pp to GDP growth, while the net contribution of the foreign sector was 0.7pp. If these results are confirmed in the final estimate of the National Accounts that the INE will publish in December, they would imply an upward bias in the estimate of average annual economic growth for 2024, which in this report we have placed at 2.8%.

**The new upward revision of the macro scenario of the Spanish economy is based on the statistical revisions of the historical data, a more positive recent evolution than expected and includes improvements in the estimate of the contribution of both external and domestic demand.** Services exports continue to grow more than expected, while consumption, both private and public, is emerging as an alternative engine of growth. The good performance of the economy rests on improvements in competitiveness -especially in services-, the increase in the labour force -mostly migrants-, and a fiscal policy that, for the time being, continues to support domestic demand. Added to this are both the decline in inflation, thanks to the fall in the price of oil and food, and the reduction in interest rates.

Compared to our July projections, **GDP growth is revised upwards over the entire projection horizon – to 2.8% in 2024** (which in nominal terms would represent a 6% advance with a GDP deflator estimate of 3.2%), **2.2% in 2025 and 1.9% in 2026 -,** while no substantive changes are incorporated into the path of gradual moderation that inflation should follow. In particular, the GDP growth rate forecast for 2024 rises by 0.5 pp – to 2.8% – while those for 2025 and 2026 increase by 0.3 pp and 0.2 pp – to 2.2% and 1.9%, respectively.

**FIGURE 1 Projection of the main macro-magnitudes of the Spanish economy. Annual rate of change in volume (%) and as a percentage of GDP**

| | | Forecasts September 2024 | | | Forecasts June 2024 | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 |
| GDP | 2.5 | 2.8 | 2.2 | 1.9 | 2.3 | 1.9 | 1.7 |
| Private consumption | 1.8 | 2.2 | 2.1 | 1.8 | 2.4 | 2.0 | 1.7 |
| Public consumption | 3.8 | 1.8 | 2.0 | 1.7 | 1.6 | 1.7 | 1.5 |
| Gross fixed capital formation | -0.4 | 1.8 | 2.1 | 2.4 | 2.2 | 2.4 | 2.1 |
| Export of goods and services | 2.3 | 3.5 | 2.7 | 3.2 | 2.4 | 2.4 | 2.7 |
| Import of goods and services | 0.3 | 1.4 | 2.5 | 3.5 | 2.0 | 2.7 | 3.0 |
| National demand (contribution to growth) | 1.7 | 2.0 | 2.0 | 1.8 | 2.1 | 1.9 | 1.7 |
| Net external demand (contribution to growth) | 0.8 | 0.8 | 0.2 | 0.1 | 0.2 | 0.0 | 0.0 |
| GDP nominal | 8.6 | 5.9 | 4.4 | 3.7 | 5.4 | 4.0 | 3.5 |
| GDP deflator | 5.9 | 3.0 | 2.2 | 1.8 | 3.0 | 2.1 | 1.8 |
| HICP | 3.4 | 2.9 | 2.1 | 1.8 | 3.0 | 2.0 | 1.8 |
| HICP without energy and food | 4.1 | 2.8 | 2.2 | 1.9 | 2.6 | 2.0 | 1.9 |
| Employment (hours) | 1.9 | 1.8 | 1.7 | 1.1 | 1.1 | 1.7 | 1.2 |
| Unemployment rate (% active population) annual average | 12.2 | 11.5 | 11.0 | 10.7 | 11.5 | 11.3 | 11.2 |
| Capacity(+)/ Need (-) for financing of the nation (GDP%) | 3.7 | 4.5 | 5.0 | 5.0 | 3.6 | 3.7 | 3.7 |
| Capacity (+)/ Need (-) for financing of the Public Administrations (GDP%) | -3.6 | -3.3 | -3.1 | -3.2 | -3.3 | -3.1 | -3.2 |
| Public Administrations debt (GDP%) | 107.7 | 105.4 | 105.4 | 106.3 | 105.8 | 106.2 | 107.2 |

*Source: Bank of Spain*

According to these projections, **over the period 2024-2026 economic growth will be based on the dynamism of domestic demand.** In particular, in this period, private consumption will be the component with the greatest contribution to GDP growth, as a result of a favourable evolution of employment, wages and inflation, as well as the increase in population and the gradual recovery of household confidence. Gross fixed capital formation, which is the demand heading that shows a lagging recovery from pre-pandemic levels, will also contribute more to GDP growth over the projection horizon.

In the future, **a slowdown is expected as the contribution of external demand becomes negative due to the limits on the expansion of exports of tourism services and the transition to a growth model with higher spending on imported goods.** In addition, the improvement in exports of goods may not be widespread due to bottlenecks in some sectors. Consumption growth may moderate, especially if the factors that have pushed household savings rates to high levels continue. The relatively low level of investment in transport and machinery and equipment may be reflecting a lower impact of European funds and, together with homelessness, may threaten the competitiveness of the Spanish economy. Fiscal policy should become contractionary from 2025 onwards, in an environment where there is no consensus on the measures needed to reduce imbalances in the public accounts by limiting the impact on the economy.

The economy faces structural challenges such as bottlenecks in some export sectors, the causes behind the increase in household savings, the low level of investment and productivity, particularly in housing, aging, the shortage of certain types of human capital, and fiscal adjustment in the coming years.

### Fiscal scenario in 2024-2025

**The year 2024 marks the start of the recently reformed European fiscal rules.** This year marks the start of the implementation of the new European framework of fiscal rules after it was definitively approved last April. As a result, on October 15th, the government submitted to the European institutions a structural fiscal plan that will guide fiscal policy over the next four years. Internally, national fiscal rules have been reactivated in their current configuration as long as they are not adapted to the new European framework.
Regarding the **first Medium-Term Fiscal and Structural Plan** (PFEMP) we would point out that, although it may be in line with the European Commission's June guidelines, it does not offer sufficient detail to be considered a useful medium-term budgetary planning tool, as it does not contain any information on the budgetary scenario beyond 2024 either for the general government as a whole or by sub-sectors. Therefore, in our opinion, it is a **clear step backwards with respect to the information in the Update of the Stability Programme, the document it replaces.**

After four years of suspension, the Government has once again set for 2024 the stability and public debt targets, as well as the spending rule provided for in the current Organic Law on Budgetary Stability and Financial Sustainability (LOEPSF).

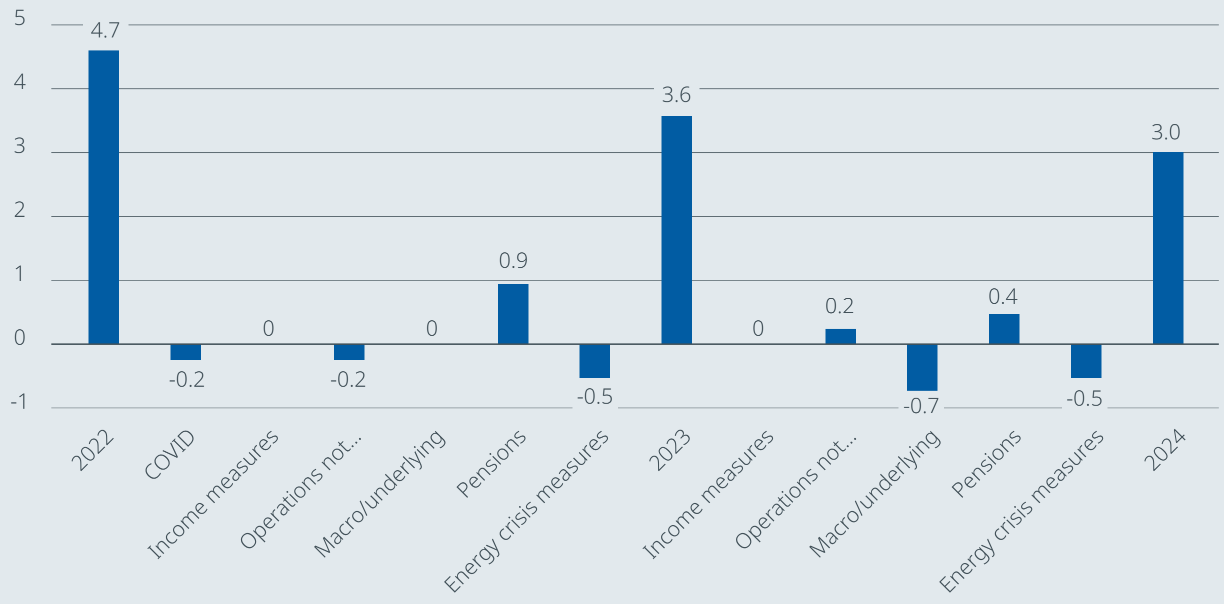
Specifically, **a deficit of 3% of GDP is contemplated for the General Government as a whole (Public Administrations),** with the following breakdown by subsectors: a deficit of 3% for the Central Government (AC), 0.2% for the Social Security Funds (FSS), budgetary balance for the Autonomous Communities (CC. AA) and a surplus of 0.2% for the Local Corporations (CC. LL.). On the other hand, the reference rate of the spending rule, which does not require parliamentary approval, limits the increase in spending to 2.6% for 2024.

In the twelve months to date, the imbalance in the public accounts fell to 3.3% of GDP in June, which makes it more likely that the year will end around or below 3% of GDP, with the following breakdown: **2.5% in the Central Government, a deficit of 0.3% in the Autonomous Communities and two tenths of a percentage point in the Social Security funds.** Much of the reduction in the deficit has to do with a more intense recovery in activity than expected. In particular, direct tax revenues continue to increase above nominal GDP growth, thanks to the growth of employment and, particularly, wages. The fall in the cost of imported inputs, together with the increase in taxes on capital, also explain part of this evolution.

**We continue to maintain a forecast for the general government deficit of 3% of GDP in 2024, in line with the government's forecasts for this year.** As a result, the reduction in the deficit in 2024 would be six tenths of a percentage point of GDP from 3.6% in 2023. This reduction is based on the improvement in the macroeconomic scenario, partially offset by the revaluation of pensions with the CPI and the growth of other expenditure, and on the reduction in the cost of energy measures compared to the previous year. On the other hand, an increase in the deficit is expected due to the materialization of a series of non-recurring operations. Finally, the approved revenue measures offset each other, with their total impact being neutral.

This improvement in the public accounts would continue in 2025, where according to our macro scenario, **the general government deficit would be reduced again to 2.5% of GDP,** five tenths below the end forecast for 2024.

**FIGURE 2 Evolution of the deficit by component in 2022-2024 (% GDP)**




**Part of this moderate improvement in the public accounts is what explains why the risk premium remains at relatively low levels.** The extra cost that the Treasury must pay compared to long-term German debt has remained around 80 bps, while the gap compared to that of other governments, particularly the French government, has decreased or even been lower. In fact, this risk premium is expected to end the year at 85 bps and increase moderately over the following year, without exceeding 100 bps by the end of 2025. This, in an environment where the uncertainties that may exist about the continuity of the adjustment that must be complied with in accordance with the new fiscal rules in the euro area are being resolved.

**We predict that eleven autonomous communities could close 2024 with a balance or surplus.** Only the autonomous communities of the Region of Murcia and the Valencian Community will close in 2024 with a deficit of more than 1%, while deficits of around half a point are expected in Catalonia and Castilla – La Mancha and more moderate in Andalusia and Madrid.

Lasty and regarding the fiscal impact of the tragic floodings in October in the Valencia region, the measures approved so far would amount up to 14,500 million euros, so the impact in fiscal terms as of today would be limited.

The Bank of Spain, in its first update of the impact of the DANA, **estimates that the affected area in Valencia represents 2% of the national total in various indicators such as population, employment and household income, but with a greater weight, around 3%, on the national industrial sector.** If the current evolution continues (a path similar to Katrina in the US, but slightly milder), **the estimated impact would be close to -0.2 pp in the quarterly growth rate of Q4 and +0.15 pp in the CPI.** The estimates are subject to significant levels of uncertainty, but based on previous climate-related events, the estimated impact on GDP is -0.2 pp in the current quarter, remaining negative still a year later.

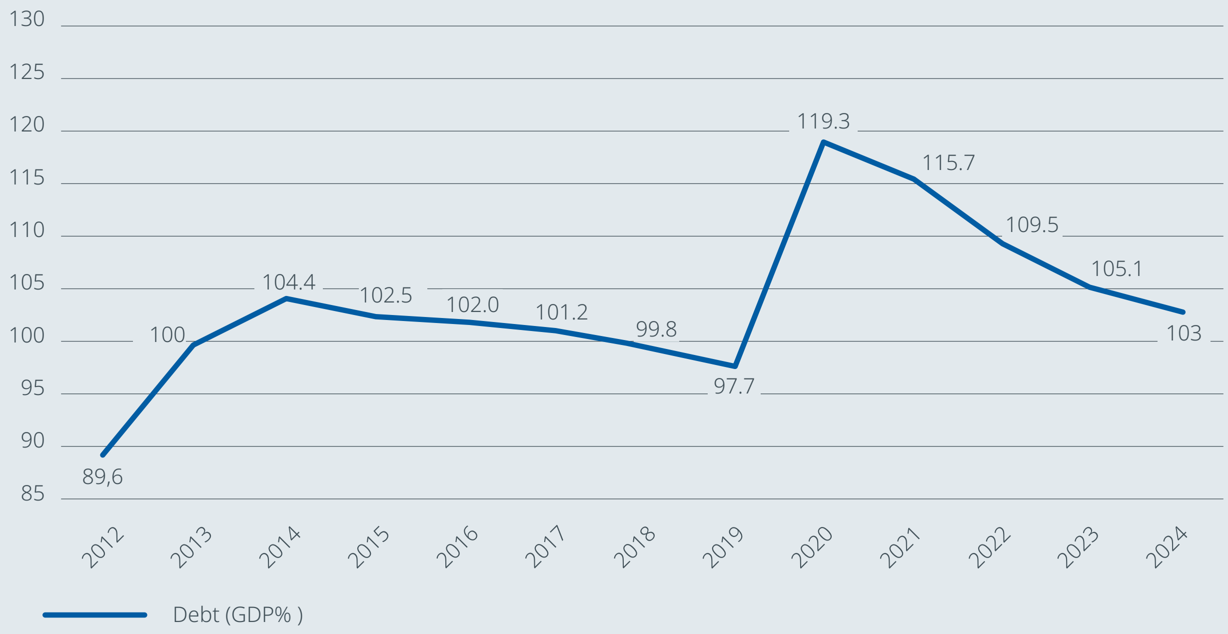
### Public debt scenario in 2024

**The stock of public debt of the general government as a whole (Public Administrations) accumulated more than 1.62 trillion euros at the end of the first half of 2024** (+3.6% YoY). In relative terms, this figure represents 105.3% of GDP, a reduction of 3.5 percentage points compared to the ratio of the first half of 2023 and twenty points compared to the ceiling reached in the first quarter of 2021 (125.3%). The slowdown in the rate of debt growth, together with the nominal growth of the Spanish economy, justify this positive dynamic.

**The recent upward revision of the growth of the Spanish economy by the INE has led to a reduction in the debt-to-GDP ratio at the end of 2023 by 2.6 percentage points to 105.1%.** For this year, we expect the slowdown in the debt stock to continue, supported by budgetary consolidation, marked by a context in which economic growth is leading to positive revenue dynamics and expenditure is contained, to a large extent, by the State's budget extension situation. All this, together with an economy that maintains the pulse of growth and a containment of the cost of debt in terms of GDP, for the coming years we expect a faster reduction in the debt-to-GDP ratio in the 2024-2026 horizon, in line with compliance with European fiscal rules.

**In this regard, we revised the forecast for the end of 2024 to around 103%, which would imply a decrease in the debt-to-GDP ratio of 2.1 points above the level recorded in 2023. The reduction in the ratio continues to be supported by nominal GDP growth, where the deflator continues to make a notable contribution.**

**FIGURE 3** **Debt (% GDP) Annual evolution from 2012 to 1Q2024**




*Source: Bank of Spain, INE and AIReF*

The regional debt as a whole has increased by more than EUR 8,500 million during 2Q24 to EUR 337,474 million. In relative terms, this acceleration in the debt stock has led to an increase of three tenths of a percentage point in the debt/GDP ratio in the quarter to 21.9%. However, compared to the ratio recorded in 1H23, there is a reduction of almost one percentage point, with the island regions and Navarre standing out with falls of more than two points of GDP; Canary Islands (-2.2p.p.), Balearic Islands and Navarre (-2.1p.p.).

**Our estimate is that the Autonomous Communities will reduce their level of indebtedness in 2024 by more than half a point of GDP, standing at 21.5% at the end of the year from a peak level of 27.2% at the end of 2020.** Starting from 22.2% in 2023, the ratio would improve by more than half a point due to the effect of the expected GDP growth, partially offset by the expected balance and by certain adjustments, such as the financing of the deficit excesses of the previous year, the application of the excess financing outstanding at the end of 2023 or the postponement of the negative 2008-2009 settlement of the Regional Financing System (SFA).

**At the individual level, the debt-to-GDP ratio falls in almost all the Autonomous Communities,** although there are seven (Principality of Asturias, Balearic Islands, Canary Islands, Cantabria, Galicia, Autonomous Community of Navarre, Basque Country and La Rioja) the Autonomous Communities that, under the assumptions of a regulatory scenario, should see their debt reduced in absolute values in 2024; expressed as a percentage of regional GDP, the debt ratio would decline compared to 2023 in all communities except in the Region of Murcia.

Under these assumptions, the Autonomous Community of the Principality of Asturias would join the group of those below the reference level of 13% (Autonomous Community of Navarre, the Canary Islands, the Community of Madrid and the Basque Country), while the ratio of La Rioja would be very close to this reference. Four regions (Catalonia, Castile-La Mancha, the Region of Murcia and the Valencian Community), on the other hand, place their debt ratio above 30%.

**FIGURE 4 Debt to GDP of the autonomous communities. Forecast for the end of 2024 (% of GDP)**

| | |
|---|---|
| Andalusia | 19.6 |
| Aragon | 19.4 |
| Asturias | 13.1 |
| Balearic Islands | 19.5 |
| Canary Islands | 10.1 |
| Cantabria | 18.5 |
| Castile Leon | 19.2 |
| Castile La Mancha | 31.4 |
| Catalonia | 30.4 |
| Valencia | 42.1 |
| Extremadura | 21.6 |
| Galicia | 15.1 |
| Madrid | 12.3 |
| Murcia | 31.5 |
| Navarra | 8.9 |
| Basque Country | 10.7 |
| Rioja | 14.1 |

over 40
30-40
20-30
14-20
less or equal 13

*Source: AIReF*

## Risks in our macro scenario for Spain

**The risks around the central scenario of these projections are downward-oriented in terms of activity and balanced in relation to inflation.** At the global level, the main source of risk continues to be the current high geopolitical tensions. Among others, those associated with the war conflicts in Ukraine and the Gaza Strip, those related to the latest election results in France and Germany – as well as the upcoming presidential elections in the United States – and those linked to the growing trade tensions observed on a global scale. Both a possible escalation of the ongoing war conflicts and greater trade fragmentation would imply downside risks to activity and upside risks to prices. On the other hand, the greater uncertainty about present and future economic policies that could arise from some electoral processes would likely put downward pressure on both economic growth and inflation.

**At the national level, there is still considerable uncertainty about the future behaviour of household consumption and business investment,** given that these components of demand have shown a weaker performance than expected in recent quarters and that, looking ahead, a gradual reduction in the contribution of net external demand to growth is anticipated.

The future dynamics of consumption and investment will be highly conditioned, among other factors, by the evolution of the confidence of economic agents and the level of uncertainty about the global and national macro and financial scenario and about economic policies, as well as by the degree of transmission and the effects of the tightening of global monetary policy in 2022-2023 and the easing of this policy that is beginning to take place. Another key factor in the evolution of business investment is related to the pace of execution and the impact of the projects associated with the NGEU programme, aspects that will also fundamentally determine the future behaviour of productivity and wages in our country.

**In the short term, immigration, the favourable financial situation of households, the relaxation of financing conditions and the good performance of the labour market will continue to support growth.** However, the growth pattern of the Spanish economy continues to be based on the contribution of the labour factor, sustained by the influx of foreign population, while advances in productive efficiency are still absent. Added to this is the **reduced effort to capitalise the economy. Spain continues to have a deficit of investment in physical, technological and human capital** that hinders productivity growth, medium-term growth prospects and the sustainability of public accounts in a context of an ageing population.

On the fiscal front, **the central government must announce measures equivalent to 0.5% of GDP to comply with the new fiscal rules from 2025.** The Bank of Spain estimates that for each adjustment point of the structural primary deficit as a percentage of potential GDP, the level of activity could moderate in the long term between 0.75 pp of GDP and 1.0 pp.

Finally, **going forward, it would be desirable to negotiate a new system of transparent and supportive regional financing.** The current mechanism is complicated, not very transparent and introduces a series of funds whose allocation of resources has little to do with solidarity between territories. The new system should try to respect the principle of ordinality, guaranteeing the provision of public services of similar quality throughout the Spanish territory, fiscal responsibility and the tax autonomy of the autonomous communities to choose their level of tax pressure. In addition, it would be advisable to build a new institutional framework, which would introduce mechanisms to transfer the fiscal effort to which the country has committed itself to the accounts of the autonomous communities.

This should be accompanied by monitoring instruments and incentives for the fulfilment of the objectives that are agreed upon. In addition, it is necessary to clarify how access to the Regional Liquidity Fund will work once the new financing system is determined.

## Relevant outstanding issues at the regional level

In the coming months we will begin to have more clarity on the three main issues that are still pending definition in the Spanish autonomous community and that will have a key relevance when determining both the regions that will decide to finance themselves in the market in the coming years and the volume of financing. Below, we summarize the most relevant information we have to date on these three basic issues; We will undoubtedly revisit these three issues in 2025.

**-Debt forgiveness to the autonomous communities of the common regime;**
**- Reform of the regional financing system/singular financing for Catalonia;**
**- Extraordinary levelling fund for Valencia, Murcia and Castilla-La Mancha.**

**The singular financing of Catalonia would imply that this community would leave the common financing regime and would have a singular financing model, in a de facto similar way to the Basque and Navarre economic agreement.** In this way, the tax agency of Catalonia (ATC) would manage, settle, collect and inspect" 100% of the region's taxes gradually and with a pre-set calendar.

In addition, and again in a similar way to the Basque and Navarre economic agreement, Catalonia will pay the State for the public services it provides (annual quota) and will also disburse the solidarity quota that is set, but always respecting the principle of ordinality with respect to resources (i.e., that a community with less fiscal capacity cannot overcome after the redistribution of resources to richer ones).

## Disbursements of the extraordinary financing mechanism in 2024

The Spanish Government, through the Government Delegate Commission for Economic Affairs (CDGAE), has agreed to allocate a total of 1,109.4 million euros to the Autonomous Communities for the fourth quarter of 2024 from the Financing Fund for Autonomous Communities.

Specifically, 1,042.8 million euros are allocated to the Regional Liquidity Fund (FLA) compartment and the remaining 66.6 million to the Financial Facility (FF) compartment. The total amount of 1,109.4 million euros will be distributed among the Autonomous Communities adhering to the Financing Fund as follows:

Andalusia applied to join the Financial Facility (FF) compartment in 2024 and communicated its intention to combine this financing with that from the financial markets. This application for membership in the Fund was accepted by the Ministry of Finance.

The communities attached to the Regional Liquidity Fund (FLA) compartment are Aragon, the Balearic Islands, Cantabria, Castilla-La Mancha, Catalonia, Extremadura, Murcia, La Rioja and the Valencian Community. Some Autonomous Communities adhered to the FLA compartment have not requested an amount for this quarter, as is the case of Cantabria.

This agreement, as with previous quarters, does not include an allocation for the Autonomous Communities of Asturias, the Canary Islands, Castille-Leon, Galicia, Madrid, Navarre and the Basque Country, given that they have not requested financing from the FF and FLA compartments of the 2024 Autonomous Community Financing Fund.

In this way, the Financing Fund for the Autonomous Communities has distributed 28,863.4 million euros to the Autonomous Communities in the four quarters of the year and adding the so-called Extra FLA I, as detailed in figure 5:

**FIGURE 5 Aggregate liquidity mechanism disbursement by quarter in 2024 (EUR mn)**

| | FFCCAA 2024 | | | | | |
|---|---|---|---|---|---|---|
| **Autonomous Communities** | **Q1*** | **Q2** | **Q3**** | **Q4** | **EF 1** | **Total** |
| Andalusia | 64.02 | 62.83 | 473.73 | 66.61 | 1,217.25 | 1,884.44 |
| Aragon | 645.58 | 9.67 | 240.89 | 158.79 | 175.50 | 1,230.43 |
| Balearic Islands | 322.98 | 29.96 | 483.89 | 10.95 | | 847.78 |
| Cantabria | 116.55 | | 165.36 | | | 281.91 |
| Castile La Mancha | 589.30 | 59.62 | 913.99 | 134.63 | 309.00 | 2,006.54 |
| Catalonia | 3,059.34 | 309.02 | 4,502.44 | 462.25 | 2,088.75 | 10,421.80 |
| Extremadura | 457.77 | 141.12 | 149.31 | 139.22 | 135.75 | 1.023.17 |
| Murcia | 289.57 | 153.49 | 672.18 | 18.97 | 583.5 | 1.717.71 |
| Rioja | 64.67 | 8.51 | 76.64 | 8.86 | | 158.68 |
| Valencia | 2,795.97 | 287.13 | 3,889.23 | 109.15 | 2,209.50 | 9,290.98 |
| **Total Autonomous Communities** | **8,405.75** | **1,061.35** | **11,567.66** | **1,109.43** | **6,719.25** | **28,863.44** |

** The ACDGAE of Q3 leaves without effect the distribution of the assigned resources to the deficit section in the Q1*
*** The ACDGAE of Q4 leaves without effect 56,73 euro millions of the assigned resources to tranche one of maturities to the Autonomous Community of Cantabria in Q3*
*Euro millions*
*Source: Ministry of Finance*

If we compare the extraordinary mechanisms disbursement in 2024 with that made in 2023, which reached 34,313 million Euros for the same group of autonomous communities, **we observe that there is a year-on-year reduction in the volume disbursed of around 6,ooo million Euros,** derived from the combination of the lower volume of debt maturities and the better fiscal performance in 2024 and **in line with the government's intention to gradually reduce the volume allocated to liquidity mechanisms.** Looking ahead to the coming years, **we expect a gradual, but continuous, reduction in the disbursements made by the extraordinary mechanisms,** as the autonomous communities gradually recover their financial autonomy.

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