



SPAIN

State of Play – Winter 2018



MACROECONOMIC SITUATION

- Economy grew above expectations in 2017, with more balanced growth than before the crisis
- Growth is expected to decelerate progressively in 2018-2019, but to remain robust

Imbalances (in-depth review):

- High public debt decreasing slowly; private debt still high but continuing its steady decline
- Large external liabilities are being reduced steadily, helped by stronger export performance
- Unemployment still high but continuing its rapid decline; large share of temporary jobs weighs on income equality and productivity growth
- Productivity growth remains low, but a few sectors are evolving more favourably



PROGRESS ON COUNTRY-SPECIFIC RECOMMENDATIONS

Some progress

- in strengthening the public procurement framework
- in undertaking a comprehensive spending review
- in reinforcing coordination between employment services, social services and employers

Limited progress

- in strengthening the fiscal framework
- in promoting hiring on open-ended contracts
- in addressing fragmentation in income guarantee schemes and improving family support
- in increasing labour market relevance of tertiary education
- in addressing regional disparities in educational outcomes
- on investment and governance of research and innovation
- in implementing the law on market unity



FISCAL SITUATION

- Forecast to have met the 2017 target of 3.1% of GDP under the Excessive Deficit Procedure
- Public debt, at 98.4% in 2017, stands well above the 60% of GDP reference value, but is decreasing
- The government has still to present a budget for 2018



SOCIAL SITUATION

- Situation continues to improve with economic and job growth, but poverty and income inequality remain high
- Though decreasing, the rate of early school leavers remains among the highest in the EU; educational outcomes still vary across regions
- While permanent contracts are on the rise, the large share of temporary workers erodes incentives to invest in training and reinforces income inequality
- There is fragmentation, uneven coverage and adequacy in minimum income schemes



POLICY HIGHLIGHT

- The availability of subnational governments' budget execution data has increased considerably, helping verification of compliance with the domestic fiscal framework.
- Targeted national innovation advice and support programmes have contributed to Spanish companies' success in applying for the highly competitive Horizon 2020 SME Instrument.