

Spanish regions: Individual deficit targets

- **The Spanish Ministry of Finance ([link to press release](#)) announced that the Spanish regions have been assigned individual deficit targets.** Previously, the deficit target was at 1.3% of GDP for all regions for 2013. For 2014, the deficit for all regions is currently set at 1%, for 2015 at 0.7% and for 2016 at 0.2% of GDP. These targets would imply a stabilization of debt at around 20% of GDP for the Spanish regions on an aggregate level.

Related publication

[Sector Report](#) – Spanish regions – 30 July 2013

INDIVIDUAL DEFICIT TARGETS AS A PERCENTAGE OF GDP

	2010	2011	2012	Target 2013
Andalucía	-3.21	-3.46	-2.04	-1.58
Aragón	-2.99	-2.64	-1.44	-1.30
Asturias	-2.75	-3.62	-1.06	-1.06
Baleares	-4.11	-4.19	-1.80	-1.47
Canarias	-2.31	-1.50	-1.29	-1.20
Cantabria	-3.90	-3.46	-1.13	-1.13
Castilla-La Mancha	-6.67	-7.87	-1.56	-1.30
Castilla y León	-2.43	-2.59	-1.42	-1.27
Catalunya	-4.57	-4.02	-1.96	-1.58
Extremadura	-2.54	-4.73	-0.70	-1.00
Galicia	-2.33	-1.63	-1.29	-1.20
La Rioja	-3.86	-1.45	-1.06	-1.06
Madrid	-1.04	-1.96	-1.07	-1.07
Murcia	-4.91	-4.53	-3.12	-1.59
Navarra	-3.25	-1.99	-1.35	-1.20
País Vasco	-2.49	-2.56	-1.39	-1.20
Valencia	-4.78	-5.00	-3.52	-1.60
Total regions	-3.22	-3.31	-1.76	--

Source: Ministry of Finance, Fitch, UniCredit Research

- **Fitch published a note pointing out that the introduction of the individual deficit targets will have a mixed impact.** The repeated changes to the targets in the last year raise the possibility that fiscal discipline will weaken if regional authorities perceive the targets as increasingly flexible. Similarly, they may feel that individual targets are subject to a greater degree of bilateral negotiation with the central government than the previous common target set for all regions. Regions with targets below this level will see increased pressure on spending. These regions had originally approved budgets aiming at a 0.7% target in Dec 2012, but given the likely decline in revenues in 2013, it is possible that they will still have to revise their budget plans and cut spending to meet the new targets. Regions whose targets are above 1.3% of GDP may scale down ambitious plans for asset sales. Those regions missed the common 2012 target. Thus, continued fiscal tightening would still be required to hit the new, higher targets. The new targets may allow those regions that had planned large asset sales, which have yet to be realized, to adjust their projected revenues to a more realistic level.
- **Fitch sees no rating impact:** The ratings already factor in gradually narrowing deficits, thus the new targets have no rating impact. In the first five months of 2013, preliminary results show that operating spending declined by 8.2% yoy.
- **Please refer to our Sector Report on the Spanish regions published on 30 July ([link](#)).**

Author

Amey Dyckmans, CFA (UniCredit Bank)
+49 89 378-12004
anna-maria.dyckmans@unicreditgroup.de

Bloomberg

UCCR

Internet

www.research.unicreditgroup.eu

Disclaimer

Our recommendations are based on information obtained from, or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All estimates and opinions included in the report represent the independent judgment of the analysts as of the date of the issue. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice.

This analysis is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested. Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

This information is given without any warranty on an "as is" basis and should not be regarded as a substitute for obtaining individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their bank's investment advisor for individual explanations and advice.

Neither UniCredit Bank nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This analysis is being distributed by electronic and ordinary mail to professional investors, who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose.

Responsibility for the content of this publication lies with:

UniCredit Bank AG (UniCredit Bank), Am Tucherpark 16, 80538 Munich, Germany, (also responsible for the distribution pursuant to §34b WpHG). The company belongs to UniCredit Group. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany.

POTENTIAL CONFLICTS OF INTERESTS

Company	Key
n.a.	n.a.

Key 1a: UniCredit Bank AG and/or a company affiliated with it (pursuant to relevant domestic law) owns at least 2% of the capital stock of the company.

Key 1b: The analyzed company owns at least 2% of the capital stock of UniCredit Bank AG and/or a company affiliated with it (pursuant to relevant domestic law).

Key 2: UniCredit Bank AG and/or a company affiliated with it (pursuant to relevant domestic law) belonged to a syndicate that has acquired securities or any related derivatives of the analyzed company within the twelve months preceding publication, in connection with any publicly disclosed offer of securities of the analyzed company, or in any related derivatives.

Key 3: UniCredit Bank AG and/or a company affiliated (pursuant to relevant domestic law) administers the securities issued by the analyzed company on the stock exchange or on the market by quoting bid and ask prices (i.e. acts as a market maker or liquidity provider in the securities of the analyzed company or in any related derivatives).

Key 4: The analyzed company and UniCredit Bank AG and/or a company affiliated (pursuant to relevant domestic law) concluded an agreement on services in connection with investment banking transactions in the last 12 months, in return for which the Bank received a consideration or promise of consideration.

Key 5: The analyzed company and UniCredit Bank AG and/or a company affiliated (pursuant to relevant domestic law) have concluded an agreement on the preparation of analyses.

Key 6a: Employees of UniCredit Bank AG Milan Branch and/or members of the Board of Directors of UniCredit (pursuant to relevant domestic law) are members of the Board of Directors of the Issuer. Members of the Board of Directors of the Issuer hold office in the Board of Directors of UniCredit (pursuant to relevant domestic law).

Key 6b: The analyst is on the supervisory/management board of the company they cover.

Key 7: UniCredit Bank AG Milan Branch and/or other Italian banks belonging to the UniCredit Group (pursuant to relevant domestic law) extended significant amounts of credit facilities to the Issuer.

RECOMMENDATIONS, RATINGS AND EVALUATION METHODOLOGY

Company	Date	Rating	Currency	Target price
n.a.	n.a.	n.a.	n.a.	n.a.

Overview of our ratings

You will find the history of rating regarding recommendation changes as well as an overview of the breakdown in absolute and relative terms of our investment ratings on our website http://www.disclaimer.unicreditmb.eu/credit-research-rd/Recommendations_CR_e.pdf.

Note on the evaluation basis for interest-bearing securities:

Recommendations relative to an index:

For high grade names the recommendations are relative to the "iBoxx EUR Benchmark" index family, for sub investment grade names the recommendations are relative to the "iBoxx EUR High Yield" index family.

Marketweight: We recommend having the same portfolio exposure in the name as the respective iBoxx index. We expect that the average total return of the instruments of the issuer is equal to the total return of the index.

Overweight: We recommend having a higher portfolio exposure in the name as the respective iBoxx index. We expect that the average total return of the instruments of the issuer is greater than the total return of the index.

Underweight: We recommend having a lower portfolio exposure in the name as the respective iBoxx index. We expect that the average total return of the instruments of the issuer is less than the total return of the index.

Outright recommendations:

Hold: We recommend holding the respective instrument for investors who already have exposure. We expect that the total return of the instruments of the issuer is equal to the yield.

Buy: We recommend buying the respective instrument for investors who already have exposure. We expect that the total return of the instruments of the issuer is greater than the yield.

Sell: We recommend selling the respective instrument for investors who already have exposure. We expect that the total return of the instruments of the issuer is less than the yield.

We employ three further categorizations for interest-bearing securities in our coverage:

Restricted: A recommendation and/or financial forecast is not disclosed owing to compliance or other regulatory considerations such as a blackout period or a conflict of interest.

Coverage in transition: Due to changes in the research team, the disclosure of a recommendation and/or financial information are temporarily suspended. The interest-bearing security remains in the research universe and disclosures of relevant information will be resumed in due course.

Not rated: Suspension of coverage.

Trading recommendations for fixed-interest securities mostly focus on the credit spread (yield difference between the fixed-interest security and the relevant government bond or swap rate) and on the rating views and methodologies of recognized agencies (S&P, Moody's, Fitch). Depending on the type of investor, investment ratings may refer to a short period or to a 6 to 9-month horizon. Please note that the provision of securities services may be subject to restrictions in certain jurisdictions. You are required to acquaint yourself with local laws and restrictions on the usage and the availability of any services described herein. The information is not intended for distribution to or use by any person or entity in any jurisdiction where such distribution would be contrary to the applicable law or provisions.

Coverage Policy

A list of the companies covered by UniCredit Bank is available upon request.

Frequency of reports and updates

It is intended that each of these companies be covered at least once a year, in the event of key operations and/or changes in the recommendation.

SIGNIFICANT FINANCIAL INTEREST:

UniCredit Bank and/or a company affiliated (pursuant to relevant national law) with them regularly trade shares of the analyzed company. UniCredit Bank and/or a company affiliated may hold significant open derivative positions on the stocks of the company which are not delta-neutral.

Analyses may refer to one or several companies and to the securities issued by them. In some cases, the analyzed issuers have actively supplied information for this analysis.

ANALYST DECLARATION

The author's remuneration has not been, and will not be, geared to the recommendations or views expressed in this study, neither directly nor indirectly.

ORGANIZATIONAL AND ADMINISTRATIVE ARRANGEMENTS TO AVOID AND PREVENT CONFLICTS OF INTEREST

To prevent or remedy conflicts of interest, UniCredit Bank has established the organizational arrangements required from a legal and supervisory aspect, adherence to which is monitored by its compliance department. Conflicts of interest arising are managed by legal and physical and non-physical barriers (collectively referred to as "Chinese Walls") designed to restrict the flow of information between one area/department of UniCredit Bank and another. In particular, Investment Banking units, including corporate finance, capital market activities, financial advisory and other capital raising activities, are segregated by physical and non-physical boundaries from Markets Units, as well as the research department. Disclosure of publicly available conflicts of interest and other material interests is made in the research. Analysts are supervised and managed on a day-to-day basis by line managers who do not have responsibility for Investment Banking activities, including corporate finance activities, or other activities other than the sale of securities to clients.

ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED**Notice to Australian investors**

This publication is intended for wholesale clients in Australia subject to the following:

UniCredit Bank AG and its branches do not hold an Australian Financial Services licence but are exempt from the requirement to hold a licence under the Act in respect of the financial services to wholesale clients. UniCredit Bank AG and its branches are regulated by BaFin under German laws, which differ from Australian laws. This document is only for distribution to wholesale clients as defined in Section 761G of the Corporations Act. UniCredit Bank AG and its branches are not Authorised Deposit Taking Institutions under the Banking Act 1959 and are not authorised to conduct a banking business in Australia.

Notice to Austrian investors

This document does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

This document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or part, for any purpose.

Notice to Czech investors

This report is intended for clients of UniCredit in the Czech Republic and may not be used or relied upon by any other person for any purpose.

Notice to Italian investors

This document is not for distribution to retail clients as defined in article 26, paragraph 1(e) of Regulation n. 16190 approved by CONSOB on 29 October 2007. In the case of a short note, we invite the investors to read the related company report that can be found on UniCredit Research website www.research.unicreditgroup.eu.

Notice to Japanese investors

This document does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

Notice to Polish investors

This document is intended solely for professional clients as defined in Art. 3 39b of the Trading in Financial Instruments Act of 29 July 2005. The publisher and distributor of the recommendation certifies that it has acted with due care and diligence in preparing the recommendation, however, assumes no liability for its completeness and accuracy.

Notice to Russian investors

As far as we are aware, not all of the financial instruments referred to in this analysis have been registered under the federal law of the Russian Federation "On the Securities Market" dated 22 April 1996, as amended (the "Law"), and are not being offered, sold, delivered or advertised in the Russian Federation. This analysis is intended for qualified investors, as defined by the Law, and shall not be distributed or disseminated to a general public and to any person, who is not a qualified investor.

Notice to Turkish investors

Investment information, comments and recommendations stated herein are not within the scope of investment advisory activities. Investment advisory services are provided in accordance with a contract of engagement on investment advisory services concluded with brokerage houses, portfolio management companies, non-deposit banks and the clients. Comments and recommendations stated herein rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not suit your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely on the information stated here may not result in consequences that meet your expectations.

Notice to UK investors

This communication is directed only at clients of UniCredit Bank who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to U.S. investors

This report is being furnished to U.S. recipients in reliance on Rule 15a-6 ("Rule 15a-6") under the U.S. Securities Exchange Act of 1934, as amended. Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is such a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of UniCredit Capital Markets, LLC.

Any transaction by U.S. persons (other than a registered U.S. broker-dealer or bank acting in a broker-dealer capacity) must be effected with or through UniCredit Capital Markets.

The securities referred to in this report may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Available information regarding the issuers of such securities may be limited, and such issuers may not be subject to the same auditing and reporting standards as U.S. issuers.

The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position. In jurisdictions where UniCredit Capital Markets is not registered or licensed to trade in securities, commodities or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

The information in this publication is based on carefully selected sources believed to be reliable, but UniCredit Capital Markets does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

UniCredit Capital Markets may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

UniCredit Capital Markets and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer.

The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that

adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement

This document may not be distributed in Canada.

UniCredit Research*

Michael Baptista
Global Head of CIB Research
+44 207 826-1328
michael.baptista@unicredit.eu

Dr. Ingo Heimig
Head of Research Operations
+49 89 378-13952
ingo.heimig@unicreditgroup.de

Credit Research

Luis Maglanoc, CFA, Head
+49 89 378-12708
luis.maglanoc@unicreditgroup.de

Credit Strategy & Structured Credit Research

Dr. Philip Gisdakis, Head
Credit Strategy
+49 89 378-13228
philip.gisdakis@unicreditgroup.de

Dr. Tim Brunne
Quantitative Credit Strategy
+49 89 378-13521
tim.brunne@unicreditgroup.de

Markus Ernst
Credit Strategy & Structured Credit
+49 89 378-14213
markus.ernst1@unicreditgroup.de

Dr. Stefan Kolek
EEMEA Corporate Credits & Strategy
+49 89 378-12495
stefan.kolek@unicreditgroup.de

Manuel Trojovsky
Credit Strategy & Structured Credit
+49 89 378-14145
manuel.trojovsky@unicreditgroup.de

Dr. Christian Weber, CFA
Credit Strategy
+49 89 378-12250
christian.weber@unicreditgroup.de

Financials Credit Research

Franz Rudolf, CEFA, Head
Covered Bonds
+49 89 378-12449
franz.rudolf@unicreditgroup.de

Valentina Stadler, Deputy Head
Sub-Sovereigns & Agencies
+49 89 378-16296
valentina.stadler@unicreditgroup.de

Amey Dyckmans, CFA
Sub-Sovereigns & Agencies
+49 89 378-12004
anna-maria.dyckmans@unicreditgroup.de

Florian Hillenbrand, CFA
Covered Bonds
+49 89 378-12961
florian.hillenbrand@unicreditgroup.de

Dr. Tilo Höpker
Banks
+49 89 378-12960
tilo.hoepker@unicreditgroup.de

Philipp Koerge
Banks, Financial Services
+49 89 378-14246
philipp.koerge@unicreditgroup.de

Luis Maglanoc, CFA
Regulatory & Accounting Service
+49 89 378-12708
luis.maglanoc@unicreditgroup.de

Natalie Tehrani Monfared
Regulatory & Accounting Service
+49 89 378-12242
natalie.tehrani@unicreditgroup.de

Emanuel Teuber
Banks, Financial Services, Insurance
+49 89 378-14245
emanuel.teuber@unicreditgroup.de

Dr. Claudia Vortmüller
Banks
+49 89 378-12429
claudia.vortmueller@unicreditgroup.de

Corporate Credit Research

Stephan Haber, CFA, Co-Head
Telecoms, Technology
+49 89 378-15192
stephan.haber@unicreditgroup.de

Dr. Sven Kreitmair, CFA, Co-Head
Automotive & Mobility
+49 89 378-13246
sven.kreitmair@unicreditgroup.de

Jana Arndt, CFA
Basic Resources, Industrial G&S,
Construction & Materials
+49 89 378-13211
jana.arndt@unicreditgroup.de

Christian Aust, CFA
Industrial Transportation, Media, Pulp & Paper
+49 89 378-12806
christian.aust@unicreditgroup.de

Olga Fedotova
Russia/CIS
(Banks, Oil & Gas, Basic Resources, Telecoms)
+44 207 826-1376
olga.fedotova@unicredit.eu

Dr. Manuel Herold
Consumers, Oil & Gas
+49 89 378-12650
manuel-bastian.herold@unicreditgroup.de

Max Huefner, CFA
Chemicals, Aerospace & Defense, Packaging
+49 89 378-13212
max.huefner@unicreditgroup.de

Susanne Reichhuber
Utilities
+49 89 378-13247
susanne.reichhuber@unicreditgroup.de

Alexander Rozhetskin
Russia/CIS
(Banks, Oil & Gas, Basic Resources, Telecoms)
+44 207 826-7953
alexander.rozhetskin@unicredit.eu

Dr. Silke Stegemann, CEFA
Health Care & Pharma, Food & Beverage, Tobacco
+49 89 378-18202
silke.stegemann@unicreditgroup.de

Publication Address

UniCredit Research
Corporate & Investment Banking
UniCredit Bank AG
Arabellastrasse 12
D-81925 Munich
Tel. +49 89 378-18927

Bloomberg
UCCR

Internet
www.research.unicreditgroup.eu

*UniCredit Research is the joint research department of UniCredit Bank AG (UniCredit Bank), UniCredit Bank AG London Branch (UniCredit Bank London), UniCredit Bank AG Milan Branch (UniCredit Bank Milan), UniCredit Bank AG Vienna Branch (UniCredit Bank Vienna), UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic (UniCredit Bank Czechia), Bank Pekao, ZAO UniCredit Bank Russia (UniCredit Russia), UniCredit Bank Slovakia a.s. (UniCredit Slovakia), UniCredit Tiriak Bank (UniCredit Tiriak).