

PRESS RELEASE
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AIReF endorses the macroeconomic forecasts for the Basque Country and the Valencian Community for 2022

The Independent Authority for Fiscal Responsibility, AAI (AIReF) endorses as prudent the macroeconomic forecasts put forward by the Basque Country and Valencia. However, it considers that the growth estimates for 2021 are very unlikely and unlikely, respectively, although feasible within the context of current uncertainty.

According to the Law on the Establishment of AIReF, the macroeconomic forecasts incorporated in the draft budgets of all General Government authorities must have a report from AIReF indicating whether they have been endorsed. Specifically, the reports published today assess the macroeconomic forecasts that will accompany the 2022 draft budgets of the Basque Country and Valencia.

The GDP of Valencia, according to estimates made by this region, might recover by 6.6% in 2021 and 6.3% in 2022. For their part, the estimates made by the Basque Country indicate GDP growth of 6.7% in 2021 and 6.4% in 2022. The scenarios put forward by both regions are conditioned by downside risks resulting from the persistence of the pandemic, as well as uncertainty around the macroeconomic impact of the Recovery, Transformation and Resilience Plan at the Autonomous Regional level. Finally, inflationary pressures linked to the increase in energy raw material prices and the emergence of global supply chain disruptions have recently added an extra element of uncertainty.

AIReF has resumed the probabilistic analysis based around a single scenario, discarding the approach based on alternative scenarios that was used with the outbreak of the health crisis. On the basis of this scenario, the institution considers prudent and, therefore, endorses the forecast scenario prepared by Valencia and the Basque Country for 2022. However, both regions are more optimistic than AIReF on the expected path of gross domestic product (GDP) and employment in 2021, but the differences are deemed to be acceptable given the high uncertainty existing in the current context due to COVID-19.

In addition to assessing the degree of realism of these forecasts, AIReF assesses whether the scenarios meet the requirements established by European regulations for Member States of the European Union (EU), as specified in Article 4 of Directive 2011/85/EU of 8 November 2011.

AIReF highlights that Valencia and the Basque Country comply with the recommendation to send to the institution, and make the corresponding request for

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endorsement, the information on the macroeconomic forecasts underpinning the draft budget before the budget is published. They also comply with the best practice advice to include a comparison with other independent forecasts. While Valencia complies with the requirement to provide sufficient information on the methodology used for the forecast in the documentation submitted, this is not the case for the Basque Country.