

AIReF endorses Galicia's macroeconomic forecasts for 2022

The Independent Authority for Fiscal Responsibility (AIReF) endorses as prudent the macroeconomic forecasts put forward by Galicia for 2022. However, it considers that the growth estimates for 2021 are very unlikely, although feasible within the current context of uncertainty.

According to the Law on the Establishment of AIReF, the macroeconomic forecasts incorporated in the draft budgets of all public authorities must have a report from the institution indicating whether they have been endorsed. Specifically, the report published today assesses the macroeconomic forecasts that will accompany the 2022 draft budget of Galicia.

The GDP estimates made by Galicia place growth at 6% for 2021 and 2022. The scenario put forward by this region is 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 Region (AR) level. Finally, inflationary pressures linked to the increase in energy raw material prices and the emergence of global supply chain disruptions have more 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 Galicia for 2022. However, this region is more optimistic than AIReF with regard to 2021, but the differences are deemed to be acceptable given the high uncertainty generated by 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 Galicia complies with the recommendation to send the institution, and make the corresponding request for endorsement, the information on the macroeconomic forecasts underpinning the draft budget before the budget is published. The level of compliance with the good practice advice on using the most up-to-date information possible, including a comparison with other independent forecasts and providing documentation on the models, parameters and assumptions on which the forecasts are based is very high.