

PRESS RELEASE
20/09/2022

AIR^eF ENDORSES NAVARRE'S MACROECONOMIC FORECASTS FOR 2023

The Independent Authority for Fiscal Responsibility (AIR^eF) endorses and considers feasible the forecasts for 2023 presented by Navarre. However, it considers that the forecast scenario proposed by the region for 2022 might be optimistic, despite the favourable performance of the first half of the year.

According to the Law on the Establishment of AIR^eF, the macroeconomic forecasts incorporated in the draft budgets of all General Government sub-sectors must have a report from the institution indicating whether they have been endorsed.

Navarre's macroeconomic scenario is framed in a context in which the recovery and economic growth of early 2021 have been affected by unprecedented rises in energy and other raw material prices, disruptions in supply chains and a sharp increase in uncertainty following the invasion of Ukraine. The materialisation of numerous risks identified by AIR^eF since the end of 2021, and especially over 2022, could have an impact on the economic outlook of the European Union and Spain for the coming years.

According to AIR^eF, these risks and conditions are clearly identified in Navarre's forecasts. According to this scenario, regional GDP could grow by 4% in 2022. The institution considers that this scenario might be optimistic, given the rapid deterioration in most economic indicators in this Autonomous Region and the prospects of worsening growth of its main European partners.

Both the very short-term growth forecasts for Spain as a whole and for the main European economies seem to be pointing towards stagnation or even contraction in the general level of activity as early as the second half of the year. At any event, AIR^eF notes that Navarre's forecast for 2022 would be within the range of estimates by other private bodies and institutions.

For 2023, the macroeconomic scenario would be conditioned by continued tensions in energy raw material markets. Navarre's macroeconomic scenario suggests GDP growth in volume terms of 1.4%, even including a temporary contraction in real GDP at the start of that year. Given the context of uncertainty, these forecasts underpinning the budget for that year are feasible and, as such, are endorsed.

Finally, AIR^eF highlights that Navarre complies with the recommendation to send AIR^eF the information on the macroeconomic forecasts underpinning the draft budget, together with a request for endorsement, prior to publication of the draft budget. It also complies with the good practice advice to include a comparison with other independent forecasts and to provide information on the econometric

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techniques, models and parameters and assumptions used in its macroeconomic forecasts. However, the latter is still lacking in detail, as already indicated in report 41/21 of August 20th, 2021.

In addition, in response to the good practice advice set out in that report, Navarre has provided expenditure estimates in regional accounting terms. It also extends the forecast horizon to 2025, which is relevant for medium-term planning.

Finally, AIReF makes the recommendation to include, among the information provided, the assumptions on the macroeconomic impact associated with the Recovery, Transformation and Resilience Plan (RTRP) assigned over the forecast horizon.