

## **AIReF ENDORSES ARAGON'S MACROECONOMIC FORECASTS FOR 2023**

**The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts presented by Aragón for 2023 and considers them feasible. These forecasts are made in a context of uncertainty that complicates their assessment at a national level, but heightens them at a territorial level. Although the GDP rate forecast by Aragón for 2023 is higher than AIReF's estimate, it falls within the range of estimates of the consensus of analysts and is identical to the forecast in the macroeconomic outlook that accompanies the General State Budget (GSB).**

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

However, Royal Decree 215/2014, of March 28<sup>th</sup>, approving the Organic Statute of AIReF, states that in the event that any General Government body incorporates or applies in the corresponding budget a set of forecasts that exactly corresponds to those incorporated by another General Government body integrated in its territorial scope and which has been endorsed by AIReF, it will not be necessary to issue a specific report. This circumstance shall be expressly stated in the draft budget.

The macroeconomic scenario of Aragón is framed in a context in which the materialisation of a number of risks identified by AIReF since the end of 2021, and particularly over the course of 2022, will impact the economic outlook of the European Union and Spain in the coming years. Specifically, AIReF indicates the risks regarding the energy crisis, the persistence of inflation and the toughening of financing conditions.

The macroeconomic scenario of Aragón incorporates the impact of the invasion of Ukraine and the current uncertainty regarding the pace of economic activity and inflation. According to this scenario, the GDP of Aragón could grow by 4.3% in 2022, a forecast that stands within the range of the forecasts of consensus and is in line with the forecast scenario estimated by AIReF for this year.

For 2023, Aragón forecasts GDP growth in volume terms of 2.1%, a rate that stands within the range of estimates of consensus of forecast institutions, although higher than AIReF's estimate of 1.3%. These forecasts are prepared in a context of uncertainty that complicates their assessment at a national level, but heightens them at a territorial level since the latest information available on Spanish Regional Accounts is the benchmark for the year 2020. Furthermore, this information is not in line with the most up-to-date information for the country as a whole as a result of the latest statistical revisions made by the National Statistics Institute for the years 2019 to 2021, published on September 15<sup>th</sup>, 2022.

In this regard, although the growth forecasts for 2023 submitted by the Autonomous Region of Aragón are higher than those made by AIReF, it should be stressed that the Region's forecast stands within the range of estimates of the consensus of analysts of the Autonomous Regions and is identical to that provided for in the macroeconomic

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outlook that accompanies the General State Budget. Taking these constraints into account, AIReF considers that the forecasts for 2023 presented by this Autonomous Region are feasible and, as such, endorses them.

Aragon warns of the existence of downside risks regarding economic growth for 2023, although it considers that the rollout of the Recovery Plan could cushion them, boosting growth in 2023. AIReF also warns of the downside risks regarding the growth estimate made by Aragon for 2023, given the high percentage of some electro-intensive sectors in this Region's production. On the international front, the escalation of geopolitical tensions with Russia and the difficulties of European economies in finding alternative energy sources to Russian gas at reasonable prices, could have a negative impact on growth. At a domestic level, the deterioration of purchasing power and household confidence should also be underlined.

Finally, AIReF observes that Aragon complies with the recommendation to submit to AIReF, prior to the publication of the draft budget, information on the macroeconomic forecasts that underpin it and the corresponding request for endorsement. In addition, Aragon complies with the advice on good practices to include a comparison with other independent forecasts and to provide information on the econometric techniques, models and parameters and on the assumptions used in its macroeconomic forecasts. However, to ensure the availability of more homogeneous information and facilitate comparability, the advice on good practices proposed in November 2020 is reiterated, consisting of including expenditure estimates in Regional Accounting terms.

AIReF also considers it would be desirable to include a macroeconomic scenario beyond 2023, since this is one of the fundamental elements for medium-term planning. Lastly, it makes a new recommendation to include the assumptions on the macroeconomic impact associated with the Recovery, Transformation and Resilience Plan (RTRP) for the period forecast among the information provided.