

## AIReF ENDORSES VALENCIA'S MACROECONOMIC FORECASTS FOR 2023

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

Comentado [S1]: Errata en el original

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 Valencia 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 surrounding the energy crisis, the persistence of inflation and the tightening of financing conditions.

According to the macroeconomic scenario of Valencia, regional GDP could grow by 4.4% in 2022. This forecast falls within the range of forecasts available by other private bodies and institutions and is lower than AIReF's estimate, although the great uncertainty and downside risks that exist should be taken into account.

For 2023, this Region estimates GDP growth in volume terms of 2%, an estimate that is practically in line with AIReF's estimate of 1.9%. These macroeconomic forecasts are made 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 the Spanish Regional Accounts relates to the year 2020, published in December 2021. Furthermore, this is not consistent with the most recent information on the National Accounts following the latest statistical revisions made by the National Statistics Institute for the years 2019 to 2021, published on September 15<sup>th</sup>, 2022. The forecast by the Region falls within the range of estimates of the consensus of analysts and is lower than the forecast made in the macroeconomic outlook of the General State Budget for 2023. Accordingly, AIReF considers that the forecasts are feasible and endorses them.

AIReF stresses that, given the importance of medium-term planning, it would be desirable to include a macroeconomic scenario that covers a period greater than that of



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the general annual budget. In this regard, Valencia offers growth forecasts up to the year 2024.

AIReF stresses that Valencia complies with the recommendation to submit, prior to the publication of the draft budget, the information on the macroeconomic forecasts that underpin it and the corresponding request for endorsement. The report by Valencia complies satisfactorily with the advice on good practices to include a comparison with other independent forecasts and to provide detailed information on the econometric techniques, models and parameters and on the assumptions used in its macroeconomic forecasts. However, to include more homogeneous information and facilitate its comparison, the advice on good practices to include expenditure forecasts in terms of the Regional Accounts is reiterated.