

AIReF ENDORSES MACROECONOMIC FORECASTS OF GALICIA FOR 2023

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts presented by Galicia for 2023 and considers them feasible. The institution notes that these forecasts are made in a context of uncertainty that complicates their assessment at a national level, but heightens them at a territorial level. The forecast for Galicia for 2023 is higher than AIReF's, but falls within the range of estimates of the consensus of analysts and is lower than forecast in the macroeconomic outlook that accompanies the General State Budget (GSB). Furthermore, the GDP growth estimate for the region at current prices of 5% in 2023 is identical to AIReF's estimate.

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 28th, 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 integrated in its territorial scope that 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 Galicia 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 on 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.

In accordance with the macroeconomic scenario of Galicia, GDP could grow by 3.6% in 2022. Although the forecast falls within the range of forecasts of other private bodies and institutions, AIReF considers that this scenario may be optimistic, given the outlook for the worsening of economic growth.

For 2023, Galicia estimates GDP growth in volume terms of 1.7%. These macroeconomic forecasts are made in a context of uncertainty that complicates their assessment at a national level, but are heightened at a territorial level, since the latest information available on Spanish Regional Accounts is the benchmark for the year 2020. Neither is this information in line with the most up-to-date information available 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 15th, 2022.

The GDP rate of change forecast by AIReF for Galicia of 0.6% is lower than provided by the Autonomous Region of Galicia. However, it stands within the range of estimates of the consensus of analysts of the Autonomous Regions and is lower than provided for in the macroeconomic outlook that accompanies the General State Budget. Furthermore, the GDP growth estimate for the Region at current prices, at 5% in 2023, is identical to AIReF's estimate. Taking these constraints into account, AIReF considers that the

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forecasts for 2023 presented by this Autonomous Region are feasible and, as such, endorses them.

In addition, this Region includes the results of the simulations of the impact of the Recovery, Transformation and Resilience Plan (RTRP) on the economy of Galicia. The potential impact of the RTRP is projected at 0.7 percentage points in 2022, 0.9 percentage points in 2023 and higher than 0.7 percentage points in the following years.

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

It also indicates that Galicia 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, the report from Galicia complies satisfactorily 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 October 2021 is reiterated, consisting of including expenditure estimates in Regional Accounting terms.