

AIReF ENDORSES BALEARIC ISLANDS' MACROECONOMIC FORECASTS FOR 2023

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts presented by the Balearic Islands for 2023. These macroeconomic 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 the Spanish Regional Accounts refers to 2020 and is not in line with the information for the country as a whole following the statistical revisions made back in September.

The forecasts made by this Region are framed within a context of the materialisation of a number of risks identified by AIReF since the end of 2021, and particularly over the course of 2022, which would impact the expectations of economic growth 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 the Balearic Islands, regional GDP could grow by 11.1% in 2022 and 3.9% in 2023. The estimate for 2022 is optimistic compared with the estimates made by AIReF and other institutions, while the forecast for 2023 is slightly below the central probability bands estimated by AIReF. Taking into account the great uncertainty and existing downside risks, AIReF estimates that the forecasts for 2023 presented by this Autonomous Region 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 the general annual budget. Furthermore, given the particular relevance of the evolution of prices and substantial differences in the productive specialisation of the Balearic Islands, it would be helpful to include the estimates of the GDP deflator of the Region.

Recommendations

AIReF also stresses that the Balearic Islands 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 Region complies with the advice on good practices to provide information on the econometric techniques, models and parameters and on the assumptions used in its macroeconomic forecasts. However, to facilitate the evaluation of the macroeconomic forecasts, it reiterates the advice on good practices to include expenditure forecasts in terms of the Regional Accounts.

Finally, as with the other Autonomous Regions, AIReF makes a 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.