

## **Four Autonomous Regions will close 2023 with a deficit above the benchmark of 0.3% of GDP set for the sub-sector**

The Independent Authority for Fiscal Responsibility (AIReF) today published on its website the individual reports on the Initial Budgets of the Autonomous Regions (AR) for the year 2023. For the sub-sector as a whole, the institution estimates a deficit of 0.3% in 2023, similar to the benchmark set for the ARs by the Government and two tenths of a percentage point higher than AIReF's estimate in the previous report. Only four ARs will end the year with a deficit higher than the benchmark of 0.3% of GDP.

The upward revision of the regional government deficit compared with the previous report is due to the end of 2022, which has turned out to be more than one tenth of a percentage point higher than forecast in the report published on 25 October. The sub-sector closed 2022 with a deficit of 1.1% of GDP. After stripping out the effect of the Next Generation funds, which have a neutral effect on the deficit, the end of 2022 shows a more pronounced evolution in expenditure outside European funds and a worse result in revenues from traditional European funds, which explains the deviation with respect to the estimates of the previous report. The worse outcome in 2022 is mostly passed on to the projections for 2023.

Almost all the Autonomous Regions expect to reach the set reference (-0.3% for the sub-sector; -0.6% for the Basque Country and Navarre), both in their budgets and in the updated forecasts contained in their medium-term budgetary plans. Only the Canary Islands, the Balearic Islands and La Rioja expect to achieve more favourable balances (the former in balance and the latter two with a deficit of 0.1%), while Andalusia and Navarre, which approved their budgets in line with the set benchmark, have provided more pessimistic forecasts (-0.6% and -1.1%, respectively).

AIReF continues to forecast that the net revenue of the Autonomous Regions, without taking into account the resources of the Recovery, Transformation and Resilience Plan (RTRP), will increase by 11% over the previous year, reaching 15.6% of GDP. And it estimates that net jobs not associated with the RTRP will grow by 5%, two tenths of a percentage point below the 2022 level. As for European funds, AIReF estimates that the sub-sector would have 28% of the REACT-EU funds allocated to it pending execution in 2023 and forecasts that the execution of the RTRP will be around 0.5% of GDP.

### **Individual analysis**

AIReF's forecasts at individual level worsen with respect to the previous report for twelve ARs by the close of 2022. In fact, the forecasts worsen in most of the Autonomous Regions, with particular impact in the Canary Islands, Valencia, Castile-La Mancha, Aragon and Castile and Leon. On the contrary, they improve in Andalusia.

However, AIReF continues to estimate that only four Autonomous Regions will close 2023 with a deficit above the 0.3% set for the subsector (Castile-La Mancha, Catalonia, Murcia and Valencia). Aragon, La Rioja, Cantabria, Extremadura and Madrid could achieve deficits below or around the -0.3% benchmark, while the rest of the Autonomous Regions could close the year with a balance or surplus.