

PRESS RELEASE

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AIReF ENDORSES MACROECONOMIC FORECASTS FOR ANDALUSIA AND MADRID FOR 2024

The Independent Authority for Fiscal Responsibility (AIReF) endorses the Regional Accounts forecasts that accompany the draft budgets of Andalusia and Madrid for 2024. Andalusia presents Gross Domestic Product (GDP) growth estimates in volume terms and at current prices, the implicit GDP deflator and employment for the period 2023-2024 that are different to the most recent estimates of the macroeconomic scenario for the country as a whole. Madrid, in turn, presents GDP growth estimates in volume terms and employment for the period 2023-2024.

According to the Organic Law on the Creation 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. Although the analysis and macroeconomic and fiscal consistency of the budgets of the Autonomous Regions is of significant importance, AIReF indicates that the revenue of the Regions is fundamentally determined by the revenue under the Regional Financing System, subject to payments on account and their subsequent settlement. In this regard, the possible deviations from the macroeconomic outlook that underpins the regional budgets compared with what is finally observed may have less repercussion on what occurs in other areas of such public authorities as the State.

It should be stressed that the macroeconomic forecasts for the Autonomous Regions take place in a context of great uncertainty, due to growing geopolitical tensions, the persistence of inflation and the tightening of financing conditions, which are negatively impacting economic growth expectations in the European Union and Spain for the coming years. Furthermore, it should be added that the latest information available on the Regional Accounts of Spain, published in December 2022, relates to 2021, which makes monitoring the regional economic situation difficult in an environment marked by the high volatility of macroeconomic estimates. Furthermore, this information is not consistent with the most recent estimates for the National Accounts deriving from the latest statistical revisions performed by the National Statistics Institute (INE) for the years 2020 to 2023, published on September 18th and 22nd, 2023.

Andalusia

AIReF endorses the macroeconomic forecasts of Andalusia for 2024. This Region estimates GDP growth in volume terms of 2% in 2024. This forecast stands in the central range of AIReF's estimates, with a central forecast of 1.5%. In addition, the estimate of this Region falls within the range of forecasts made by other bodies for the Region. Expected nominal growth for 2024, the year for which the budgets are prepared, is also higher than AIReF's forecast.

AIReF underlines that Andalusia complies with the recommendation to submit, prior to the publication of the draft budget, the information on the forecasts that underpin this and the corresponding request for endorsement. The Region has also followed the advice on good practices to include a comparison with other independent forecasts, and to provide

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information on the econometric techniques, models and parameters, and on the assumptions that underpin its forecasts.

Given the importance of medium-term planning, AIReF stresses that it would be advisable for Andalusia to extend the forecast horizon of the macroeconomic scenario beyond the period of the annual general budget. As regards the Recovery, Transformation and Resilience Plan (RTRP) for the projected period, this Autonomous Region has responded satisfactorily to the recommendation issued in Report 50/22 of October 24th, 2022, to include the results of the simulations of its expected impact among the documentation submitted to AIReF.

Madrid

AIReF endorses the forecasts made by Madrid. The Region places GDP growth in a range of between 1.9% and 2.1%, somewhat higher than AIReF's central estimate, which stands at 1.8%, but within percentiles 40-60 of the institution's confidence bands. Furthermore, the Region's estimate falls within the range of the most recent estimates of the panellists that draw up forecasts for Madrid.

AIReF underlines that Madrid complies with the recommendation to submit information on the macroeconomic forecasts that underpin the draft budget prior to its publication, along with the corresponding request for endorsement. The Region also complies with the advice on good practices to include a comparison with other independent forecasts.

Following the recommendation issued by AIReF in its report on the macroeconomic forecasts of the 2023 budget of Madrid, this Autonomous Region has specified the assumptions of the macroeconomic impact associated with the Recovery, Transformation and Resilience Plan. This Region bases its forecasts on the estimates of other institutions and, consequently, does not include details of the econometric techniques, models and parameters, nor on the assumptions that underpin its forecasts. Nor does it include employment forecasts in terms of the Regional Accounts, as suggested in the advice on good practices issued in the aforesaid report.

AIReF stresses that given the importance of medium-term planning, it would be advisable to include a macroeconomic scenario that goes beyond the period of the annual general budget, along with projections of the GDP deflators.