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AIReF ENDORSES MACROECONOMIC FORECASTS FOR EXTREMADURA FOR 2024

The Independent Authority for Fiscal Responsibility (AIReF) endorses the Regional Accounts forecasts that accompany the 2024 draft budget of Extremadura, which include GDP growth estimates in volume terms and employment for the period 2023-2026, that are different from the latest macroeconomic scenario estimates for the country as a whole.

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.

Extremadura estimates GDP growth in volume of terms of 2% in 2024. This forecast is slightly above percentile 60 of the confidence bands of AIReF's estimates, which indicates the existence of downside risks. Although this estimate stands within the range of forecasts made by other bodies, most analysts have not yet incorporated the revisions of the National Accounts published at the end of September, nor the recent worsening of the global growth perspectives.

These forecasts are made in a context of great uncertainty due to the materialisation of a number of risks identified by AIReF since the end of 2021, focused on the energy crisis, the persistence of inflation and tougher financing conditions. In addition, the latest information available on the Spanish Regional Accounts 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 18 and 22 September.

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

Medium-term planning and RTRP

Given the importance of medium-term planning, AIReF stresses that Extremadura should extend the forecast horizon of the macroeconomic scenario beyond the period of

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the annual general budgets. However, given the evolution of prices over recent years, it would be advisable to include estimates of the GDP deflator in Extremadura for the projected period.

As regards the Recovery, Transformation and Resilience Plan (RTRP) for the projected periods, this Autonomous Region has responded satisfactorily to the recommendation issued by the AIReF Report 44/22, including information on the assumptions on the expected impact associated with the RTRP for the period 2023-2026 in the documentation submitted.