

AIReF ENDORSES MACROECONOMIC FORECASTS FOR BASQUE COUNTRY FOR 2024

The Independent Authority for Fiscal Responsibility (AIReF) endorses the Regional Accounts forecasts that accompany the 2024 draft budget of the Basque Country, which includes GDP growth estimates in volume terms and at current prices, along with estimates of its components in terms of supply and demand, the GDP deflator, and the employment and unemployment rate for the period 2023-2024, 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.

The Basque Country estimates growth in volume terms of 2.1% in 2024. This forecast stands between percentiles 40 and 60 of AIReF's estimates and is lower than the forecasts made by other bodies for the Autonomous Region, although the recent downturn of European economies and indicators on industrial production could point to downside risks. The nominal GDP growth expected by the Region is slightly higher than AIReF's forecast, although it is feasible given the volatility of the deflators.

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 recently on 18 and 22 September.

Taking these conditioning factors into consideration, AIReF endorses the forecasts presented by the Basque Country. Furthermore, it underlines that the Region 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 macroeconomic forecasts. However, in order to obtain more homogenous information and facilitate its comparison, the advice on good practices to provide employment estimates in Regional Accounting terms is reiterated.

Medium-term planning and RTRP

Given the importance of medium-term planning, AIReF stresses that it would be advisable for the Basque Country to extend the forecast horizon of the macroeconomic scenario beyond the period of the annual general budget.

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As regards the assumptions on the macroeconomic impact associated with the Recovery, Transformation and Resilience Plan (RTRP) for the period forecast, this Autonomous Region responds satisfactorily to the recommendation made by AIReF in 2022 to include information on the assumptions on the expected impact associated with the RTRP for the period 2021-2026 in the documentation submitted.