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AIReF ENDORSES THE MACROECONOMIC FORECASTS OF ASTURIAS FOR 2024

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts that accompany the 2024 draft budget for the Autonomous Region of Asturias, which present growth estimates of the Gross Domestic Product (GDP) in volume terms, of the GDP deflator and of employment for the period 2023-2024 that are different from the latest macroeconomic scenario 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 instalment payments 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 is stressed that the macroeconomic forecasts for the Autonomous Regions are made in a context of great uncertainty, due to increasing geopolitical tensions, persistent inflation and the tightening of financing conditions, which are adversely affecting the economic growth expectations of the European Union and Spain for the coming years. In addition, it should be noted that the latest available information on Spain's Regional Accounts was published in December 2022, referring to 2021, making it difficult to monitor the regional situation in an environment marked by high volatility in macroeconomic estimates. Neither is this information aligned with the most recent estimates for the country as a whole stemming from the latest statistical revisions made by the National Statistics Institute (INE) for the years 2020 to 2023, published on September 18th and 22nd.

AIReF endorses the macroeconomic forecasts of Asturias for 2024. This region estimates GDP growth in volume terms of 1.2% in 2024. This forecast falls within percentiles 40 to 60 of AIReF's estimates (with a central forecast of 1.4%). In addition, this region's forecast for 2024 is below the lower end of the range of forecasts made by other bodies, although some do not yet incorporate the recent revisions of the National Accounts. The expected nominal growth for Asturias in 2024 (4.4%) is also lower than that forecast by AIReF (4.6%).

Recommendations

AIReF highlights that Asturias complies with the recommendation to submit, prior to the publication of the draft budget, information on the macroeconomic forecasts that underpin it, along with the corresponding request for endorsement. It also complies with the best practices advice regarding the inclusion of a comparison with other independent

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forecasts and the provision of information on the econometric techniques, models and parameters used, as well as the assumptions underpinning its forecasts.

However, the region does not include information on the assumptions regarding the expected impact of the Recovery, Transformation and Resilience Plan (RTRP) among the documentation submitted to AIReF, although it explicitly states that it would be able to produce and submit them to AIReF during 2024. Similarly, Asturias notifies its intention to extend the forecast horizon of the macroeconomic scenario beyond the period of the annual general budget in future years.