

PRESS RELEASE
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AIReF ENDORSES THE MACROECONOMIC FORECASTS FOR CATALONIA, VALENCIA AND CANARY ISLANDS FOR 2024

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts that accompany the 2024 draft budgets for Catalonia, Valencia and the Canary Islands, which present different estimations from the 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.

Catalonia presents growth estimates for Gross Domestic Product (GDP) in volume terms and at current prices, as well as its components on demand and employment for the period 2023-2024; Valencia presents estimates in volume terms for the period 2023-2025 and employment for the period 2023-2024; and the Canary Islands presents estimates for GDP in volume terms and at current prices, the implicit GDP deflator, and employment for the period 2023-2026.

Catalonia

AIReF endorses Catalonia's macroeconomic forecasts for 2024. This region estimates GDP growth in volume terms of 1.8% in 2024. This forecast aligns with AIReF's central estimate and is at the lower end of the range of forecasts made by other bodies for the region, although it should be noted that some bodies' forecasts do not yet incorporate the recent national accounting revisions. The nominal growth expected by Catalonia (5.2%) is almost identical to what AIReF anticipates (5%).

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AIReF underlines that Catalonia complies with the recommendation to submit, prior to the publication of the draft budget, information on the macroeconomic forecasts that underpin it and the corresponding request for endorsement. The region also adheres to the best practice advice regarding the inclusion of a comparison with other independent forecasts and the provision of information on the econometric techniques, models and parameters used, as well as the assumptions underlying its forecasts. The region also complies with the recommendation to include the results of the simulations of the expected impact associated with the Recovery, Transformation and Resilience Plan.

However, to facilitate the evaluation of the macroeconomic forecasts, the best practice advice that AIReF has been issuing since Report 52/21, of October 27th, 2021, is reiterated, requesting the inclusion of employment forecasts in regional accounting terms. Finally, given the importance of medium-term planning, AIReF stresses that it would be desirable for Catalonia to extend the forecasting horizon of the macroeconomic scenario beyond the period of the annual general budget.

Valencia

AIReF endorses the forecasts of Valencia, which estimates GDP growth in volume terms of 1.9% in 2024. This forecast aligns with AIReF's central estimate and is within the range of forecasts made by other bodies for the region, although some do not yet incorporate the recent national accounting revisions.

AIReF highlights that Valencia complies with the recommendation to submit, prior to the publication of the draft budget, information on the macroeconomic forecasts that underpin it and the corresponding request for endorsement, although the draft was published on October 31st.

In addition, the region adheres to the best practice advice regarding the inclusion of a comparison with other independent forecasts and the provision of information on the econometric techniques, models and parameters used, as well as the assumptions underpinning its forecasts, although this is done with a scant level of detail. Furthermore, the region satisfactorily responds to the best practice advice regarding the inclusion of employment estimates in regional accounting terms.

Given the importance of medium-term planning and current price dynamics, AIReF stressed that it would be desirable for Valencia to extend the forecast horizon of the macroeconomic scenario beyond the period covered by the annual general budget and include information about the implicit GDP deflator in the macroeconomic outlook. Finally, as regards the Recovery, Transformation and Resilience Plan (RTRP) for the projected period, AIReF confirms that Valencia has responded satisfactorily to the recommendation to include simulations of its expected impact in the documentation submitted to AIReF.

Canary Islands

The Independent Authority for Fiscal Responsibility (AIReF) endorses the economic forecasts of the Autonomous Region of the Canary Islands, which estimates GDP growth in volume terms of 2% for 2024. This forecast aligns with the central estimate of AIReF

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and is within the range of forecasts made by other bodies for the region - although some do not yet incorporate the recent national accounting revisions. The expected nominal growth for the Canary Islands in 2024 is higher than that projected by AIReF (6.6% projected by the region and 5.2% by AIReF), due to higher estimated growth in the deflator.

AIReF stresses that the Canary Islands comply 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. Likewise, the good practice advice regarding the inclusion of a comparison with other independent forecasts and the provision of information on the econometric techniques, models and parameters used, as well as the assumptions on which their forecasts are based, is followed, although this has a scant level of detail. In addition, the region responds satisfactorily to the good practice advice to include employment estimates in regional accounting terms.

Given the importance of medium-term planning and current price dynamics, AIReF stresses that it would be desirable for the Canary Islands to extend the forecast horizon of the macroeconomic scenario beyond the period of the annual general budget. Finally, with regard to the Recovery, Transformation and Resilience Plan (RTRP) for the projected period, AIReF notes that the Canary Islands have responded satisfactorily to the recommendation to include, among the documentation submitted to AIReF, the results of simulations of its expected impact.