

## **AIR<sup>e</sup>F ENDORSES THE MACROECONOMIC FORECASTS FOR BALEARIC ISLANDS FOR 2024**

The Independent Authority for Fiscal Responsibility (AIR<sup>e</sup>F) endorses the forecasts that accompany the 2024 draft budget for the Balearic Islands, which present different growth estimates of the Gross Domestic Product (GDP) in volume terms and at current prices, and of employment for the period 2023-2024, from the latest macroeconomic scenarios for the country as a whole.

According to the Organic Law on the Creation of AIR<sup>e</sup>F, 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, AIR<sup>e</sup>F 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 18<sup>th</sup> and 22<sup>nd</sup>.

AIR<sup>e</sup>F endorses the macroeconomic forecasts of the Balearic Islands for 2024. This region estimates GDP growth in volume terms of 2.6% in 2024. This forecast is higher than AIR<sup>e</sup>F's central estimate, although it stands between percentiles 40 and 60 of the forecast intervals. It also stands above those 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 the Balearic Islands (6.2%) is also higher than AIR<sup>e</sup>F's forecast of 5.4%.

### **Recommendations**

AIR<sup>e</sup>F highlights that the Balearic 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. The region also complies with 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 underpinning their forecasts.

**NOTA DE PRENSA**  
**10/11/2023**

In addition, the region responds satisfactorily to the good practice advice to include employment estimates in regional accounting terms and complies with the recommendation to submit the assumptions on the macroeconomic impact associated with the Recovery, Transformation and Resilience Plan (RTRP).

Lastly, given the importance of medium-term planning, AIReF stresses that it would be desirable for the Balearic Islands to extend the forecast horizon of the macroeconomic scenario beyond the period of the annual general budget.