

PRESS RELEASE
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AIReF ENDORSES THE MACROECONOMIC FORECASTS FOR MURCIA FOR 2024

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts that accompany the 2024 draft budget for Murcia, which present different growth estimates of the Gross Domestic Product (GDP) in volume terms and at current prices, of the GDP deflator 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 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 Murcia for 2024. This region estimates GDP growth in volume terms of 1.8% in 2024. This forecast falls within percentiles 40 to 60 of AIReF's estimates (central forecast of 1.3%) and fall at the lower limit of the range of forecasts made by other bodies for the region, although some of these forecasts do not yet include the recent revisions of the national accounts. Expected nominal growth for Murcia for 2024 (5.2%) is also higher than forecast by AIReF (4.5%).

Recommendations

AIReF highlights that Murcia 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 on the inclusion of a comparison with other independent forecasts and on providing information on the econometric techniques, models and parameters used, and on the assumptions underpinning its forecasts. The region also complies with the recommendation to include information on the expected execution of

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the Recovery, Transformation and Resilience Plan (RTRP) among the documentation submitted.

However, to facilitate the evaluation of the macroeconomic forecasts, it reiterates the best practices advice on the need to include employment forecasts in regional accounting terms. Finally, given the importance of medium-term planning, AIReF stresses that it would be desirable for Murcia to extend the forecast horizon of its macroeconomic scenario beyond the period of the annual general budget.