

## **AIReF ENDORSES CASTILE AND LEON'S MACROECONOMIC FORECASTS FOR 2024**

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts that accompany the draft budget of the Autonomous Region of Castile and Leon for 2024, which present estimates of growth in gross domestic product (GDP) in volume terms and expenditure for the period 2022-2026 which differ from the latest estimates of 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 growing geopolitical tensions, the persistence of inflation and the tightening of financing conditions, which are having a negative impact on the economic growth expectations of the European Union and Spain for the coming years. It should be added that the latest information available on the Spanish Regional Accounts was published in December 2023, referring to 2022, which makes it difficult to monitor the regional situation in an environment marked by high volatility in macroeconomic estimates.

AIReF endorses the macroeconomic forecasts for Castile and Leon for 2024. This Region estimates GDP growth in volume terms of 1.7% for the year of the draft budget. This forecast is between percentiles 40 and 60 of AIReF's estimates (central forecast of 1.4%) and is below the lower end of the range of forecasts made by other agencies for the region.

### **Recommendations and advice on good practices**

AIReF underlines that Castile and Leon complies with the recommendation to submit, prior to the publication of the draft budget, the information on the macroeconomic forecasts that underpin the draft budget and the corresponding request for endorsement. This Region has also followed the advice on good practices by including macroeconomic forecasts beyond the year for which the budgets are prepared. It also complies with the advice on good practices regarding the inclusion of a comparison with other independent forecasts, and the provision of information on the econometric techniques, models and parameters, and on the assumptions that underpin its forecasts. However, the latter information continues to be presented with a low level of detail, mainly with regard to the Recovery, Transformation and Resilience Plan (RTRP), which AIReF has been pointing out since 2020.

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AIReF reiterates its advice on good practices aimed at ensuring more homogeneous information and facilitating comparability, which consists of this Region providing expenditure forecasts in terms of the Spanish Regional Accounts – as regards employment numbers. Finally, given the importance of medium-term planning, AIReF provides advice on good practices regarding the fact that, given the special importance of price dynamics, it would be desirable to include information on the implicit GDP deflator in the macroeconomic outlook.