

ENDORSEMENT OF THE  
MACROECONOMIC  
FORECASTS OF DRAFT  
GENERAL STATE BUDGET  
2025 AND MEDIUM-TERM  
STRUCTURAL-FISCAL PLAN

41/24



Independent Authority  
*for* Fiscal Responsibility



The Independent Authority for Fiscal Responsibility (AIReF) was created with the mission of ensuring strict compliance with the principles of budgetary stability and financial sustainability enshrined in Article 135 of the Spanish Constitution.

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# ENDORSEMENT OF MACROECONOMIC FORECASTS OF DRAFT GENERAL STATE BUDGET 2025 AND MEDIUM-TERM STRUCTURAL-FISCAL PLAN

**The Independent Authority for Fiscal Responsibility (AIReF) has received a request from the Government for a report on the macroeconomic scenario accompanying the Draft General State Budget (GSB-2025) and the medium-term Structural-Fiscal Plan.** In accordance with Article 14 of Organic Law 6/2013, of November 14<sup>th</sup>, on the creation of AIReF, the General Government must request that AIReF issue a report on the macroeconomic forecasts that are incorporated in the Draft Budgets and the medium-term Structural-Fiscal Plan - formerly Stability Programme Update (SPU) - which will indicate whether these forecasts are endorsed. The latter report is the medium-term budgetary planning document introduced by the new European fiscal governance framework. On September 22<sup>nd</sup>, AIReF received the official request to issue the report on the macroeconomic forecasts up to 2026, which will be included in both the 2025 Draft General State Budget and the medium-term Structural-Fiscal Plan.

**AIReF endorses the Government's GDP growth scenario for 2025 and 2026.** However, at a later date, when full information is available on the content of the medium-term Structural-Fiscal Plan and on the Spanish National Accounts data, AIReF will update its forecasts and carry out a full evaluation of the macroeconomic scenario of the medium-term Structural-Fiscal Plan.

**The request for endorsement comes at a complex time, as the Government is in negotiations with the European Commission on the adjustment path contained in the medium-term Structural-Fiscal Plan.** The Government's macroeconomic scenario is one of the necessary elements to draw up the medium-term Structural-Fiscal Plan, which will remain in force over the next four years and which, unlike the former Stability Programmes, can only be modified in the exceptional circumstances provided for in the regulations of the new framework. However, at the same time, the size of the adjustment and the nature of the measures to be taken will be agreed upon in the framework of this plan and will have a knock-on effect on the expected GDP growth scenario.

**Full information is not presently available on the adjustment and nature of the measures that will make up the medium-term Structural-Fiscal Plan and the Budget for 2025 that should be fully consistent with that plan.** On June 21<sup>st</sup>, the European Commission (EC) submitted a reference path to EU Member States and the Government is currently negotiating the primary expenditure forecast (net of revenue measures) for the next four or seven years with the EC that will place the public debt ratio on a downward path over the next 14 or 17 years, according to the requirements of the new governance framework. Consequently, full information is not currently available on the adjustment required to comply with the new fiscal framework and on the necessary measures intended to be implemented to achieve this.

**AIReF also notes that the request for endorsement comes amid a statistical revision process that adds further difficulty to the exercise.** On September 18<sup>th</sup>, the National Statistics Institute (INE) released the main results of the Statistical Revision 2024 of the National Accounts series for the years 1995 to 2023. At the date of finalising this report, neither the estimates of the Quarterly National Accounts (QNA) congruent with this statistical revision, nor of the Non-Financial Accounts of Institutional Sector<sup>1</sup>, are available. This information is essential to evaluate the economy's growth path and the behaviour of certain aggregates such as private consumption, whose future evolution depends on variables such as the savings rate, which is unknown at this time.

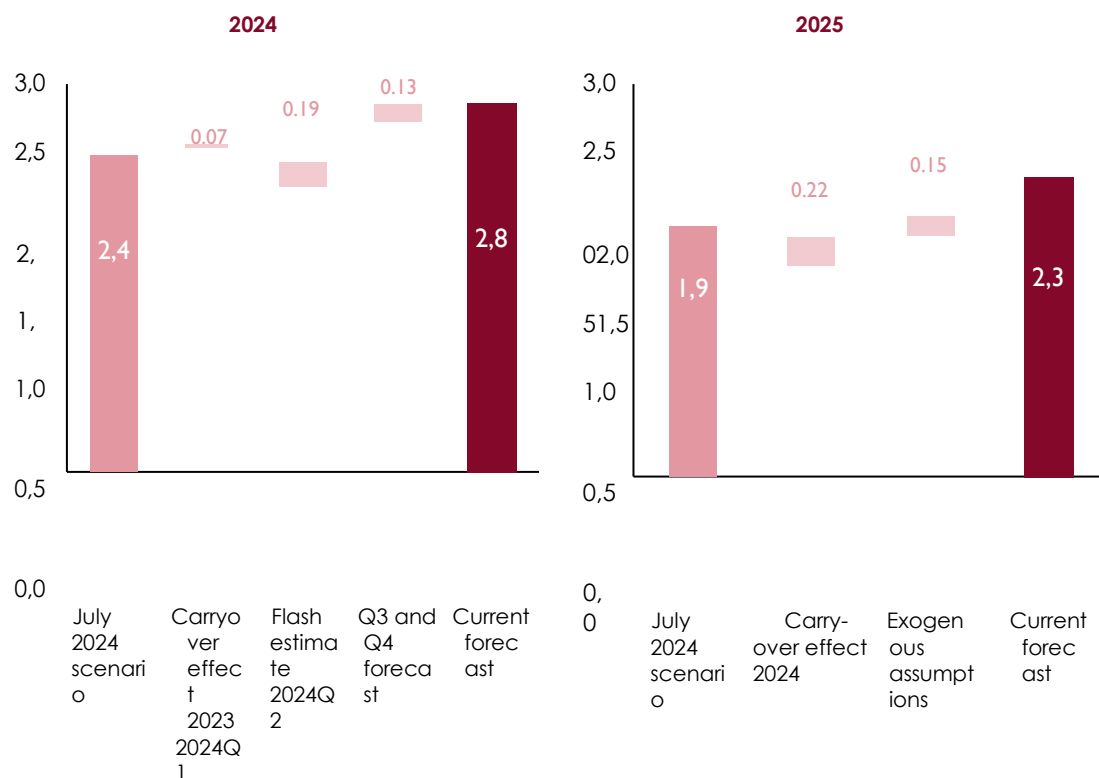
**Nevertheless, AIReF has updated its growth forecasts to incorporate the latest statistical and circumstantial information.** In the absence of any major revisions in the growth pattern for the years 2023 and 2024 in the data to be published by the INE next Friday, September 27<sup>th</sup>, the estimate for real GDP growth for 2024 would be revised to 2.8%, compared with 2.4% in the July scenario. The positive surprises in the National Accounts figures published in the QNA flash estimate published in July 2024 contribute significantly to this. The forecast for 2025 is also revised by the same amount to 2.3% (from 2% previously). This year, the revision is justified by both the new statistical and circumstantial information and by the revision of the exogenous assumptions, which takes the form of lower

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<sup>1</sup> On September 27<sup>th</sup>, the quarterly series consistent with the revised National Accounts will be published, and on September 30<sup>th</sup>, the information on the Non-Financial Accounts of the Institutional Sectors and the breakdown of the Origin and Destination Tables and the Annual National Accounts.

interest rates and oil prices, somewhat lower than previously evaluated for the year. In contrast, weak growth in the euro area remains one of the potential drags on the Spanish economy in the coming year. Expected growth for 2026 now stands at 2%, compared with 1.8% previously, mainly due to the revision of external assumptions.

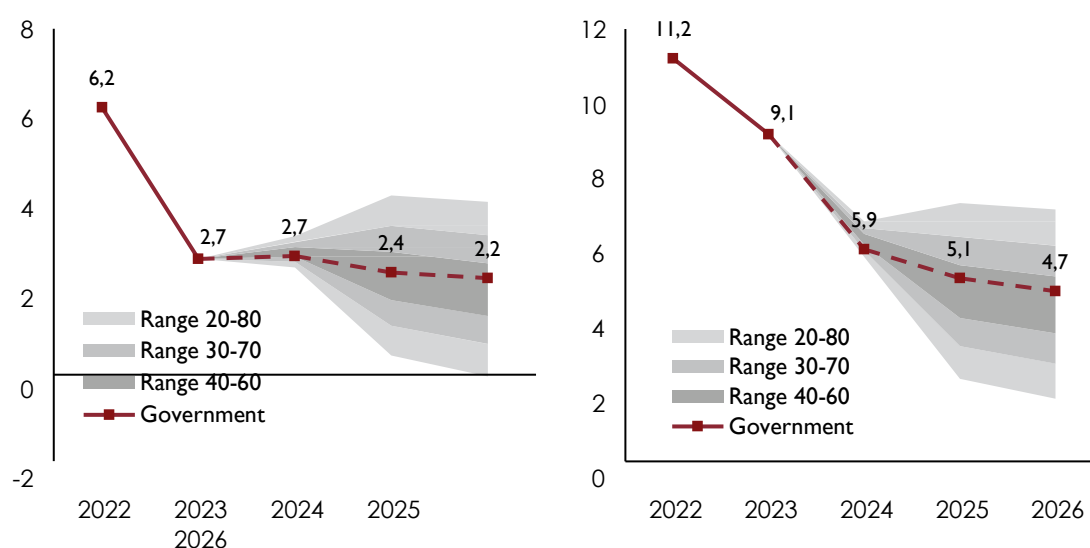
**FIGURE 1. BREAKDOWN OF THE SOURCES OF GDP GROWTH RATE REVISION IN VOLUME TERMS COMPARED WITH AIReF's JULY 2024 MACROECONOMIC SCENARIO**



Source AIReF

**According to these estimates, the Government's GDP growth forecasts accompanying the Budget and the Structural-Fiscal Plan would fall in the central probability band in both nominal and real terms.** However, AIReF's scenario does not incorporate the structural adjustment that the Government will likely have to implement from 2025 onwards, which is currently unknown.

**FIGURE 2. GROSS DOMESTIC PRODUCT GROWTH FORECASTS. INERTIAL SCENARIO**  
**VOLUME TERMS (%)** **CURRENT TERMS (%)**



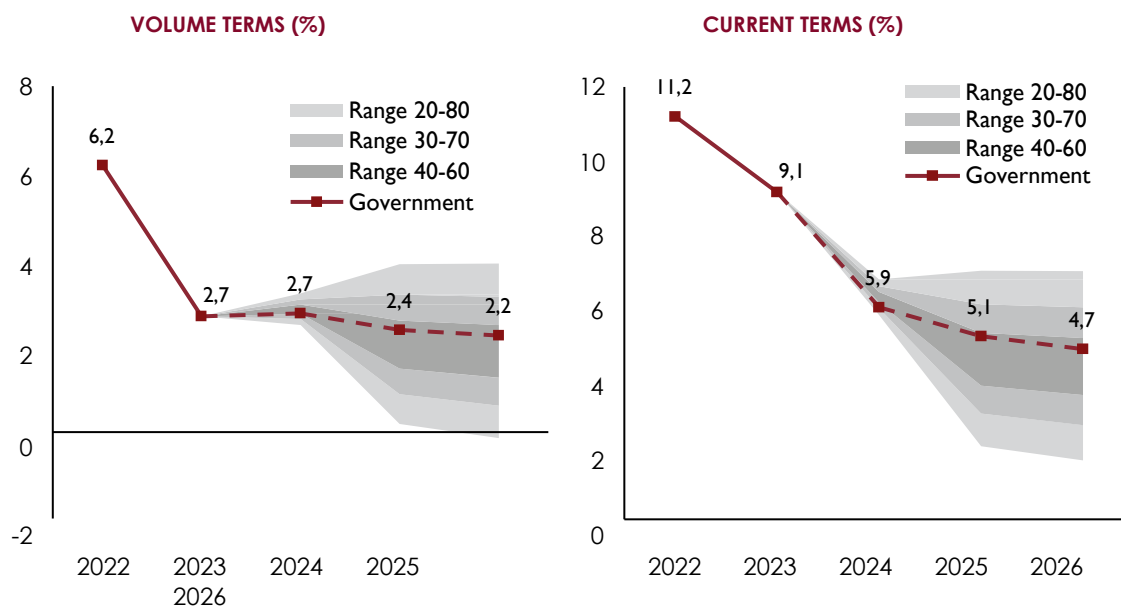
Source: National Statistics Institute, Ministry of Economy, Trade and Enterprise and AIReF

**A second preliminary growth scenario is therefore drawn up that incorporates a potential structural adjustment estimated by AIReF at 0.43 pp of GDP per year for the next seven years.** According to AIReF's scenarios, placing the debt forecast on a downward path would require a structural adjustment of 0.43 pp or 0.60 pp per annum over the next seven or four years, respectively. AIReF, therefore, presents an alternative scenario in which it seeks to tentatively incorporate the impact that the implementation of a structural adjustment of 0.43 pp of GDP per annum over the next seven years would have on real and nominal GDP growth. This exercise is necessary to assess whether or not the Government's growth forecast is feasible in a fiscal adjustment scenario. With all the necessary prudence, as the impact of a given adjustment fundamentally depends on the nature of the measures that comprise up and the timeline of its implementation, which is as yet unknown, AIReF calculates that the implementation of a potential structural adjustment programme of the magnitude calculated by this institution (0.43% per annum over a seven-year horizon) would reduce GDP growth in 2025 by 0.3 pp and in 2026 by 0.2 pp, so that real GDP growth would be close to 2% in 2025 and 1.8% in 2026.

**According to this scenario, the Government's forecasts would stand at the upper limit of the central forecast band. This allows AIReF to endorse the Government's GDP growth scenario for 2025 and 2026, without prejudice to updating the forecasts at a later date when full information is available on the content of the medium-term Structural-Fiscal Plan and the National Accounts and a complete evaluation will be made.**



**FIGURE 3. FORECAST GROSS DOMESTIC PRODUCT GROWTH. SCENARIO WITH FISCAL ADJUSTMENT OF 0.43 PP OF GDP IN 2025 AND 2026**



Source: National Statistics Institute, Ministry of Economy, Trade and Enterprise and AIReF

### New recommendations

AIReF has repeatedly reiterated the need for more information on the budgetary and fiscal measures included in the macroeconomic scenario. In the current circumstances in which the Government must design a medium-term Structural-Fiscal Plan that incorporates the measures needed to place public debt on a downward path over a medium-term horizon, with information on the sign and magnitude of the fiscal measures accompanying the Budget and the medium-term Structural-Fiscal Plan, it is essential to draw up a macroeconomic outlook that is consistent and coherent with the fiscal scenario and thus avoid possible errors in the design of a plan that will remain in force for the next four years.

**AIReF, therefore, calls on the Ministries of Economy, Trade and Enterprise and Finance to provide more information on the budgetary and fiscal measures included in the macroeconomic scenario.**

**If not, AIReF would consider it appropriate that, following the best practice in other peer countries, the endorsement process should be performed in two stages: in the first stage, an endorsement would be requested for an inertial macroeconomic outlook, which would not include any fiscal measures that are being negotiated at the time of the endorsement. In the second stage, when the breakdown of the proposed measures becomes known, an endorsement will be requested for the full macroeconomic outlook.**

Although we are currently witnessing an extraordinary revision process of the National Accounts, the publication schedules of the National Statistics Institute mean that the usual practice is to draw up the Budget without information on the accounts of the institutional sectors, which are published at the end of September. This circumstance limits the preparation of macroeconomic scenarios not only in the case of the Government but also of AIReF, especially bearing in mind the requirements applicable to the budgetary frameworks of EU Member States, as established in Article 4 of Directive 2011/85/EU of 8 November 2011, partially amended by Directive 2024/1265/EU of 29 April 2024.

**Accordingly, AIReF recommends that the National Statistics Institute should evaluate the implementation of the recommendations contained in the *Report of the technical working group on the use, in the context of the pandemic, of the sources of circumstantial information underlying the main macroeconomic indicators*, especially those relating to the compliance of the publication calendars of the statistics with the needs of the budgetary cycle. In particular, the feasibility of bringing forward the dissemination of the main National Accounts results should be evaluated, ensuring consistency with the Quarterly National Accounts, or the reintroduction of an additional estimate of the quarterly accounts, at t+60 days after the end of the reference quarter, in addition to those already existing at t+30 and t+90<sup>2</sup>.**

### **Best practice guidance**

AIReF considers that the new European fiscal framework needs to be based on a genuine medium-term budgetary planning strategy to increase the likelihood of governments being able to meet the expenditure demands required to tackle the associated socio-demographic challenges, among others, with the demographic and climate transition, while at the same time reducing the high levels of debt. In the context of this endorsement, this implies the preparation of a comprehensive economic scenario with at least a four-year horizon, incorporating investment and expenditure needs together with a breakdown of the measures of a fiscal nature required to meet the commitments of the new European fiscal framework.

Although the EC only requires governments to submit a complete forecast scenario up to 2026 and, from that year onwards, the scenarios are constructed following the methodology published by the Commission in the report entitled [Debt Sustainability Monitor](#), on the basis of technical assumptions on closing the output gap or calculating potential growth, among others, which are homogeneous for all countries. From AIReF's point of view, this way of proceeding represents a step backwards in the medium-term budgeting strategy that, in

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<sup>2</sup> See Recommendations R08 and R09 of the [Report of the Technical Working Group](#).

the new fiscal framework was initially intended to strengthen it. The former Stability Programmes incorporated a longer time horizon. Given that Structural-Fiscal Plans are established for a four-year horizon (or five years in those countries whose legislature spans this number of years), complete forecast scenarios for that period should at least be available.

President of AIReF

A handwritten signature in blue ink, appearing to be 'C.H.S.', enclosed within a blue oval.

Cristina Herrero Sánchez