

PRESS RELEASE
20/09/2024

AIReF ENDORSES MACROECONOMIC FORECASTS FOR EXTREMADURA FOR 2025

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts accompanying the 2025 draft budgets of the Autonomous Region of Extremadura.

This region presents growth estimates of Gross Domestic Product (GDP) in volume terms, of the GDP deflator and employment, in terms of the number of people employed, for the period 2024-2027 that differ from the latest estimates in the Government's 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 (GG) authorities 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 (ARs) is of significant importance, AIReF indicates that the revenue of the ARs 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 repercussions on what occurs in other areas of such public authorities as the State.

This Region estimates GDP growth in volume terms of 1.5%. This forecast is between the 40th and 60th percentiles of AIReF's estimates (central forecast of 2%) and is below the lower end of the range of forecasts made by other organisations for the region.

It should be stressed that the macroeconomic forecasts for the ARs are performed in a context of high uncertainty. In addition to the risks stemming from the geopolitical environment, in the case of the ARs, there is another fundamental source of uncertainty related to the lack of essential information for drawing up the macroeconomic scenarios of these GG authorities. Specifically, the latest figures available from the Spanish Regional Accounts refer to the year 2022, published in December 2023. In fact, AIReF recalls that up to and including 2020, the National Statistics Institute (INE) made an initial estimate of the Spanish Regional Accounts in April of each year. As from 2021, that estimate is made in December. Thus, in September 2024, when the statistical revision of the Spanish National Accounts is published, the Regional Accounts series consistent with this revision will not be available. According to AIReF, this lack of information makes it difficult for these GG authorities to draw up macroeconomic forecasts and budgetary planning, which, in a system as decentralised as Spain's, may potentially have repercussions on compliance with national and European fiscal rules and commitments. In this regard, in Report 39/24 of August 21st, 2024, AIReF made a recommendation to the National Statistics Institute aimed at reducing the gap between the information available for the country as a whole and the estimates of the Spanish Regional Accounts.

No new recommendations

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AIReF does not include any new recommendations or advice on best practices in this report. It also highlights that Extremadura complies with the recommendation to submit, prior to the publication of the draft budget, the information on the macroeconomic forecasts that underpin the budget and the corresponding request for endorsement. This region also follows the advice on best practices regarding including a comparison with other independent forecasts and providing information on the econometric techniques, models and parameters and the assumptions underpinning its macroeconomic forecasts.

Furthermore, the Autonomous Region of Extremadura includes macroeconomic forecasts beyond the year for which the budget is drawn up - including the GDP deflator forecast and the macroeconomic impact of the Recovery, Transformation and Resilience Plan - which is essential for evaluating the consistency of the ARs' forecasts with the medium-term Structural-Fiscal Plan to be drawn up by the Government in September.