

PRESS RELEASE
09/10/24

AIReF ENDORSES MACROECONOMIC FORECASTS OF CASTILE AND LEON FOR 2025

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts accompanying the draft budget of the Autonomous Region of Castile and Leon. This region presents growth estimates in the Gross Domestic Product (GDP) in volume terms, the GDP deflator, and employment, in terms of people employed, for the period 2024-2027 that differ from the latest estimates of the Government's macroeconomic scenario for the country as a whole.

In accordance with the provisions of 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 the macroeconomic and fiscal consistency of the budgets of Autonomous Regions (ARs) are of considerable importance, AIReF points out that the revenue of the ARs is basically determined by the revenue from the financing system, subject to instalment payments and their subsequent settlement. In this regard, possible deviations from the macroeconomic outlook that underpins the regional budgets compared with what is finally observed could have a lower impact than in other areas of the General Government, such as the State.

This region estimates GDP growth in volume terms of 2%. This forecast is in the central range of AIReF's estimates and within the range of forecasts made by other agencies.

It should be stressed that the macroeconomic forecasts for the ARs are performed in a context of great 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 from the Spanish Regional Accounts refer to 2022, published in December 2023. 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 of 2021, that estimate is made in December. This means that, until December 2024, the Regional Accounts series, consistent with the Statistical Revision 2024 published on September 18th, will not be available. This lack of information hinders the preparation of macroeconomic forecasts and the budgetary planning of ARs which, in a system as decentralised as Spain's, may potentially have repercussions on compliance with national and European fiscal rules and commitments.

No new recommendations

AIReF does not include any new recommendations in this report. It stresses 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 budget and the

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corresponding request for endorsement. AIReF reiterates its best practice advice to the region that the documentation provided and the corresponding report should contain more detailed breakdowns of the assumptions and the models and parameters used in its macroeconomic forecasts and projections.