

PRESS RELEASE
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AIReF ENDORSES MACROECONOMIC FORECASTS OF BALEARIC ISLANDS FOR 2025

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts accompanying the draft budget of the Balearic Islands for 2025, which presents growth estimates in the Gross Domestic Product (GDP) in volume terms and inflows and employment for 2024 and 2025 that differ from the latest estimates of the Spanish 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.

The Balearic Islands estimates GDP growth in volume terms of 1.7% for 2025, which is lower than AIReF's forecast of 2.4% and is also below the range of other agencies' forecasts for the region.

It should be stressed that the macroeconomic forecasts for the Autonomous Regions (ARs) are performed in a context of great uncertainty. In addition to the risks stemming from the geopolitical environment, there is another fundamental source of uncertainty in the case of the ARs 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 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.

AIReF highlights the fact that the Balearic Islands 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. It also complies with the best practice advice regarding the inclusion of a comparison with other independent forecasts and the provision of information on the econometric techniques, models and parameters used, as well as on the assumptions underpinning its forecasts.

However, it does not include macroeconomic forecasts beyond the year for which the budgets are drawn up, which is essential for assessing the consistency of the forecasts of the Autonomous Regions with the medium-term Structural-Fiscal Plan presented by the Government. In this regard, best practice advice is issued to extend the scenarios presented, given that the Structural-Fiscal Plan is in force for four years.