

PRESS RELEASE
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AIR^eF ENDORSES MACROECONOMIC FORECASTS OF BASQUE COUNTRY FOR 2025

The Independent Authority for Fiscal Responsibility (AIR^eF) endorses the forecasts accompanying the draft budget 2025 for the Basque Country. The forecasts present growth estimates in the Gross Domestic Product (GDP) in volume terms, the GDP deflator, and employment for the period 2024-2026 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 AIR^eF, 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 Basque Country estimates GDP growth in volume terms of 2.1%, similar to the forecast made by AIR^eF (2%) and below the lower end of the range of forecasts made by other agencies for the region. However, these forecasts do not yet include the recent revisions of the Spanish National Accounts.

It should be stressed that the macroeconomic forecasts for the Autonomous Regions (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 2022, published in December 2023. AIR^eF 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.

AIR^eF stresses that the Basque Country 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. Furthermore, it complies with the best practice advice to include a comparison with other independent forecasts and to provide information on the econometric techniques, models and parameters used, as well as on the assumptions underpinning its forecasts. The Basque Country also complies with the best practice advice concerning the inclusion of macroeconomic forecasts beyond the year for which the budgets are drawn up, which is essential for assessing the consistency of the ARs' forecasts with the medium-term Structural-Fiscal Plan. Nonetheless, best practice advice is made to extend these scenarios, given that the plan covers a four-year period.