

AIReF RAISES ITS GDP FORECAST FOR 2026 TO 2.4% AND MAINTAINS ITS DEFICIT ESTIMATE FOR 2025 AT 2.5%

- **The Independent Authority for Fiscal Responsibility (AIReF) updates its macroeconomic forecasts for 2025 and 2026 and the monitoring report on the 2025 stability target**
- **AIReF lowers its growth forecast for 2025 by 0.1 point to 2.9% and raises its forecast for 2026 by 0.3 points to 2.4%**
- **It maintains its general government deficit estimate for 2025 at 2.5% of GDP, including DANA-related measures**

The Independent Authority for Fiscal Responsibility (AIReF) today published on its website the updated macroeconomic forecasts and the December monitoring report on the budgetary stability target. AIReF maintains its general government deficit estimate for 2025 at 2.5% of GDP, including DANA-related measures, lowers growth for 2025 by 0.1 point to 2.9%, and raises growth for 2026 by 0.3 points to 2.4%.

In its macroeconomic forecasts, AIReF incorporates the latest available information, including the latest Quarterly National Accounts (QNA) data published in December 2025 and changes to date in the exogenous technical assumptions underlying the estimate. Expected real GDP growth for 2025 falls to 2.9% due to INE's revision of growth data for the first half of 2025 and weaker-than-expected third-quarter growth. For the fourth quarter, the MIPred model indicates more favourable growth of 0.7%, and the most recent economic indicators suggest continued solid growth.

According to AIReF, the stronger year-end performance envisaged in this update has positive carry-over effects on the 2026 GDP volume growth forecast, which rises by 0.3 points to 2.4%, also due to the revision of exogenous assumptions. By component, stronger domestic demand fully accounts for the revision to GDP growth in 2026, offsetting the deterioration in the external sector's contribution. Inflation for 2025 as a whole was 2.7%, down from 2.8% in 2024, while core inflation was 2.3%, down from 2.9% the previous year. Inflation is revised slightly upwards for 2026.

On the deficit, AIReF maintains its forecast of 2.5% for 2025. Stripping out DANA-related expenditure, the deficit falls to 2.2% of GDP. According to AIReF's revenue estimates, the deficit should not exceed 2.3% of GDP to comply with the 3.7% rate set by the European expenditure rule for 2025. Under the European expenditure rule, AIReF forecasts that eligible expenditure net of revenue measures will grow by 4.6% in 2025, above the 3.7% set out in the Medium-Term Structural-Fiscal Plan (MTP). In cumulative terms, growth remains within the 9.2% target.

Sub-sectors

By level of government, AIReF forecasts a Central Government deficit of 2% of GDP in 2025 and an increase in expenditure of 7.9%, breaching the 3.2% national expenditure

PRESS RELEASE
19/01/2026

rule reference rate. Under the European expenditure rule, growth is estimated at 3.6%, which would leave a slight margin for other levels of government to comply with the joint 3.7% rate.

For the Social Security Funds, AIReF forecasts that the deficit will remain at 0.5% of GDP in 2025. Based on the pace of Central Government transfers through October, the deficit is 0.2%, but expenditure is expected to increase due to the cost of the gender pay gap ruling and a slowdown in transfer growth, with a consequent increase in the deficit at the end of the year. AIReF also estimates that net primary expenditure excluding revenue measures, for the purposes of the European expenditure rule, will grow by 6.0% in 2025. This leaves less margin for other sub-sectors to meet the combined 3.7% rate.

For the Autonomous Regions, AIReF continues to estimate that they will reach a deficit of 0.4% of GDP in 2025, 0.1 point lower excluding DANA measures. Complying with the national expenditure rule would require reducing the deficit by 0.3 points, but eligible expenditure will grow by 5.7%, although this could moderate if financially sustainable investments materialise. Under the European rule, net primary expenditure excluding revenue measures will grow by 5.1%.

Finally, for local corporations, AIReF continues to estimate that they will post a surplus of 0.3% of GDP in 2025, slightly affected by DANA measures. Eligible expenditure growth will be 3.6%, above the 3.2% national expenditure rule limit for 2025, while net primary expenditure excluding revenue measures under the European expenditure rule will grow by 3.1%.