

PRESS RELEASE
03/05/2024

AIReF ENDORSES THE GOVERNMENT'S MACROECONOMIC SCENARIO FOR 2024 AND 2025

- **The Independent Authority for Fiscal Responsibility (AIReF) endorsed the scenario and sent the Report to the Government on April 26th**
- **The Government's scenario assumes real GDP growth of 2% in 2024 and 1.9% in 2025, identical figures to those published by AIReF**
- **With the entry into force of the new fiscal framework on April 30th, the obligation to present the Stability Programme ceases and governments will have to present a fiscal-structural plan in September that will be subject to the supervision of institutions such as AIReF**
- **The macroeconomic forecasts accompanying these plans will still need to be assessed or endorsed by independent fiscal institutions**
- **AIReF reiterates the recommendation to have adequate information on budgetary and fiscal measures and to regulate the exchange of information on the endorsement process through an agreement between the parties**

The Independent Authority for Fiscal Responsibility (AIReF) published the Endorsement of the Government's macroeconomic forecasts for 2024 and 2025 on its website today. AIReF endorsed the scenario and sent the Report to the Government on April 26th, when it was still possible to submit a new Stability Programme and after having received the Government's request for endorsement. With the entry into force of the new European fiscal framework on April 30th, the obligation to submit the Stability Programme ceases, but the Government has decided to submit the update of its macroeconomic and fiscal forecasts for 2024 and 2025, which has led to the publication of this Report as sent to the Government on April 26th.

In said Report, AIReF explained that, after four years of suspension of fiscal rules, 2024 is a year of transition towards the new European fiscal framework that was finally approved on April 24th and which is expected to enter into force this year. This explains why the Stability Programme would cover a shorter period of time. It also pointed out that, from now on, governments will have to set out their fiscal and reform strategy in the new medium-term fiscal-structural plan that they will have to present in September and that will be in force for a period of four years, subject to the supervision of independent fiscal institutions such as AIReF.

The purpose of the report was, therefore, to verify that the budgetary scenario of the 2024-2025 Stability Programme would be based on realistic macroeconomic forecasts. The report was made with the information available up to April 11th, 2024. It therefore does not include the figures of the National Statistics Institute (Spanish acronym: INE) relating to national accounting, nor the data of the Labour Force Survey (Spanish acronym: EPA) published on April 19th – which incorporate the figures of the 2021 Population and Housing Census into the estimates for 2021 to 2023. In addition, the possible economic policy measures that the Stability Programme might contain were unknown at that time.

With these limitations, AIReF endorsed, on the basis of its own forecasts, the Government's macroeconomic scenario for 2024 and 2025. The Government's scenario envisages real GDP growth of 2% in 2024 and 1.9% in 2025, figures identical to those published by AIReF in the [Report on the Initial Budgets of the General Government for 2024](#), published on April 11th. However, AIReF noted some differences in the composition of growth and, in particular, with regard to investment behaviour. Like AIReF, the Government expects domestic demand aggregates to contribute significantly to growth in 2024 and offset the slightly negative contribution of the external balance of goods and services. However, AIReF projects somewhat higher growth in investment in 2024, conditional on the deployment of the projects under the Recovery, Transformation and Resilience Plan (RTRP), while the Government expects a greater boost in investment in 2025.

On the price front, the Government's scenario envisages high growth of the GDP deflator, above what was considered in AIReF's scenario. Thus, expected nominal GDP growth stands at around 5.6% in 2024 and 4.8% in 2025 in the Government's scenario, higher than expected by AIReF in both years (5.2% and 4.1%, respectively).

In aggregate terms, the Government's scenario is located in the central band of AIReF's probability ranges. The Government's real GDP growth forecasts are above the 50th percentile of the probability range defined around AIReF's estimates, while, in current terms, the Government's estimates are at the upper end of the central probability range, signalling possible downside risks in the Government's forecasts for nominal GDP.

The Government's real GDP growth forecasts for 2024 are practically in line with those of the consensus of forecasters and those of international organisations. The average consensus of analysts who have updated their growth forecasts for 2024 between March and April stands at 1.9%, compared with 1.5% in January 2024.

According to AIReF, risks from the global environment remain skewed to the downside. On the one hand, the possibility of aggravation or extension to other geographical areas of the military conflicts active in Europe and the Middle East maintains the levels of uncertainty at high levels and could cause new trade shocks, such as those that occurred in the Red Sea. In addition, increasing fragmentation in trade relations, together with weak productivity growth in many advanced economies, might lead to future downward revisions in medium- and long-term growth expectations. Finally, there is a risk that the weakness of some European economies, especially Germany, will persist or intensify. Domestically, the weakness in investment could compromise the possibilities of growth in the medium term.

Recommendations

AIReF reiterates to the Ministry of Economy, Trade and Enterprise and the Ministry of Finance and Civil Service the need to have appropriate information on the budgetary and fiscal measures incorporated into the macroeconomic scenario in order to increase the rigour of the endorsement process. A rigorous endorsement requires an understanding of the revenue and expenditure path that accompanies the Government's macroeconomic outlook and detailed information on the fiscal measures that it intends to incorporate over the medium term. Improving the supply of information is particularly important in the case of the RTRP given the key role that it can play as a catalyst for activity.

PRESS RELEASE
03/05/2024

Finally, AIReF reiterates to the Ministry of Economy, Trade and Enterprise the need for the process of endorsing the macroeconomic forecasts to be regulated by an agreement between the parties, with the aim of making the process of endorsing the macroeconomic outlook more transparent and efficient.