

PRESS RELEASE  
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## **AIReF ENDORSES THE MACROECONOMIC FORECASTS OF CASTILE-LA MANCHA FOR 2025**

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts that accompany the 2025 draft budget for the Autonomous Region of Castile-La Mancha, which presents, for the period 2022-2026, gross domestic product (GDP) growth estimates in volume terms and at current prices of the GDP deflator and of employment, in terms of persons employed, different from the latest estimates of the Government's macroeconomic scenario for the country as a whole.

According to the Organic Law on the Creation of AIReF, the macroeconomic forecasts incorporated in the draft budgets of all General Government sub-sectors must include a report from AIReF indicating whether they have been endorsed. Although the analysis and the macroeconomic and fiscal consistency of the budgets of the Autonomous Regions are of considerable importance, AIReF points out that the revenue of the Autonomous Regions is basically determined by the revenue from the financing system, subject to interim instalments payments and their final settlement. In this regard, possible deviations in the macroeconomic outlook that underpin the regional budgets compared with what is finally observed could have a lesser impact compared with what happens in other areas of the General Government, such as the State.

AIReF endorses Castile-La Mancha's macroeconomic forecasts for 2025. The Region estimates GDP growth in volume terms of 2% for the year for which the budget is drawn up. This forecast is between the 40th and 60th percentiles of AIReF's estimates (central forecast of 1.8%). It stands below the lower end of the range of forecasts made by other agencies for the Region.

It should be stressed that the macroeconomic forecasts for the Autonomous Regions are made in a context of great uncertainty. In addition to the risks stemming from the geopolitical context, there is another fundamental source of uncertainty in the case of the ARs, related to the lack of essential information to draw up the macroeconomic scenarios of these GG authorities. In fact, AIReF recalls that up to and including 2020, the National Statistics Institute (INE) made an initial estimate of the Spanish Regional Accounts in April each year. As of 2021, that estimate is made in December. Thus, in September 2024, when the statistical revision of the Spanish National Accounts is published, the series of Regional Accounts consistent with this revision will not yet be available. According to AIReF, this lack of information makes it difficult to draw up macroeconomic forecasts and the budgetary planning of these GG authorities, which, in a system as decentralised as Spain's, may potentially have repercussions on compliance with national and European fiscal rules and commitments. In this regard, AIReF makes a recommendation to the National Statistics Institute aimed at reducing the time lag between the information available for the country as a whole and that of the estimates of the Spanish Regional Accounts.

### **Recommendations and best practice advice**

AIReF highlights that Castile-La Mancha complies with the recommendation to submit, prior to the publication of the draft budget, information on the macroeconomic forecasts that underpin it, along with the corresponding request for endorsement. This

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Autonomous Region also complies with the good practice advice regarding the inclusion of a comparison with other independent forecasts and the provision of information on the econometric techniques, models and parameters and on the assumptions used in its macroeconomic forecasts. It also complies with the good practice advice to include macroeconomic forecasts beyond the year for which the budgets are drawn up, which is essential for assessing the consistency of the AR forecasts with the medium-term Structural-Fiscal Plan to be drawn up by the Government in September.

On the other hand, and taking into account the time lag with which the Regional Accounts information is made available, AIREF recommends providing the INE with the means to make it easier for this body to prepare advance estimates of the Regional Accounts, ahead of the provisions contained in the National Statistical Plan in order to make it easier for the Autonomous Regions to draw up the macroeconomic forecasts that underpin their general budgets and budgetary planning.