

PRESS RELEASE
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AIReF ENDORSES MACROECONOMIC FORECASTS OF MADRID FOR 2025

The Independent Authority for Fiscal Responsibility (AIReF) endorses the forecasts accompanying the draft budget for 2025 of Madrid, which presents growth estimates in the Gross Domestic Product (GDP) in volume terms and employment for the period 2024-2025 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 AIReF, the macroeconomic forecasts incorporated in the draft budgets of all General Government (GG) authorities must include a report from AIReF indicating whether they have been endorsed.

Madrid estimates GDP growth in volume terms of 2.4% for 2025, very similar to AIReF's forecast of 2.5% and in the range of the forecasts of other agencies 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 2024 Statistical Revision 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 stresses that Madrid complies with the recommendation to submit, prior to the publication of the draft budget, information on the macroeconomic forecasts that underpin the budget and the corresponding request for endorsement. However, this region bases its forecasts on the estimates of other institutions and, consequently, no breakdown is included of the econometric techniques, models and parameters, nor of the assumptions used in its macroeconomic forecasts.

Furthermore, it does not include macroeconomic forecasts beyond the year for which the budgets are prepared, which is essential for assessing the consistency of the forecasts of the ARs with the medium-term Structural-Fiscal Plan presented by the Government. In this regard, AIReF has issued a best practice advice to extend the scenarios presented, given that the Structural-Fiscal Plan is valid for four years. AIReF believes that it would also be advisable to include forecasts of the GDP deflator as it is nominal growth that is most closely related to tax collection.