



The overall situation of public finances (at the end of January 2022)

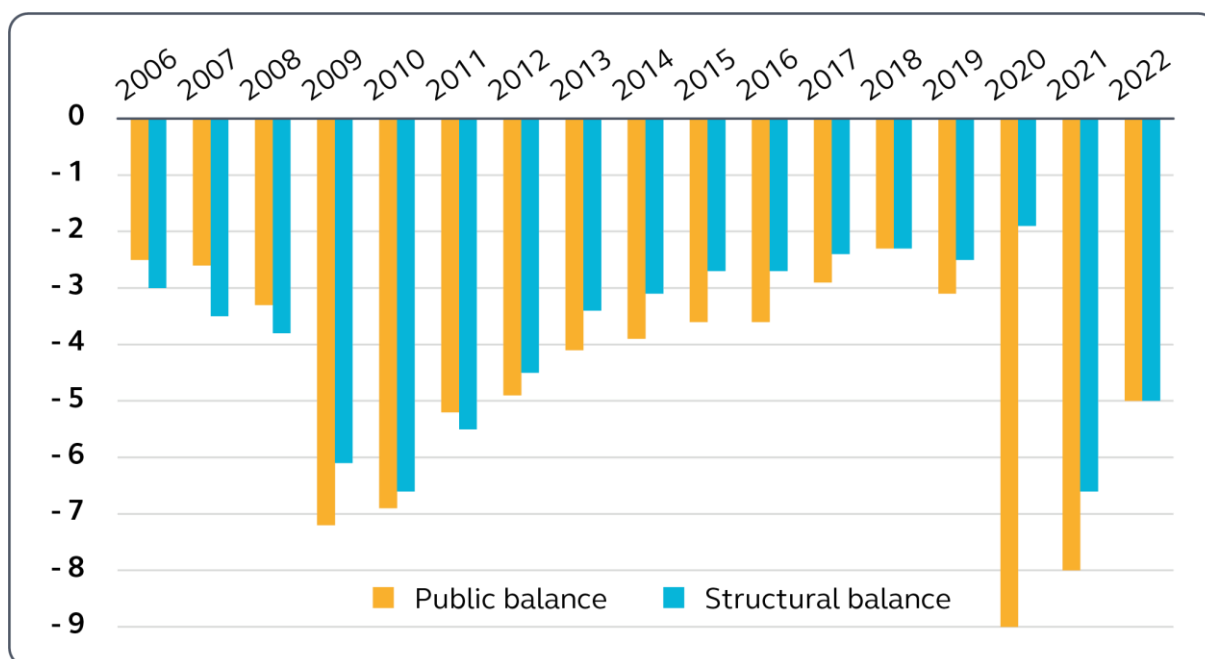
Executive summary

2022 Annual Public Report

A public deficit which could decrease in 2021 and 2022 but would remain very high despite the marked upturn in activity.

In 2022, nearly two years after the outbreak of the health crisis and while economic activity has already exceeded its pre-crisis level, France would still face a high level of deficit: it could still represent 5 points of GDP (according to the LFI for 2022), after 8.2 points in 2021 (according to the LFR2 for 2021) and 9.1 points in 2020. As a result of these deficit levels, public debt would represent 113.5 points of GDP in 2022 and would then exceed its 2019 level by 16 GDP points. However, according to statements by the Government in mid-January, the public deficit for 2021 could settle at a level close to 7 points of GDP, significantly lower than expected.

Public balance and structural balance (in % of GDP)



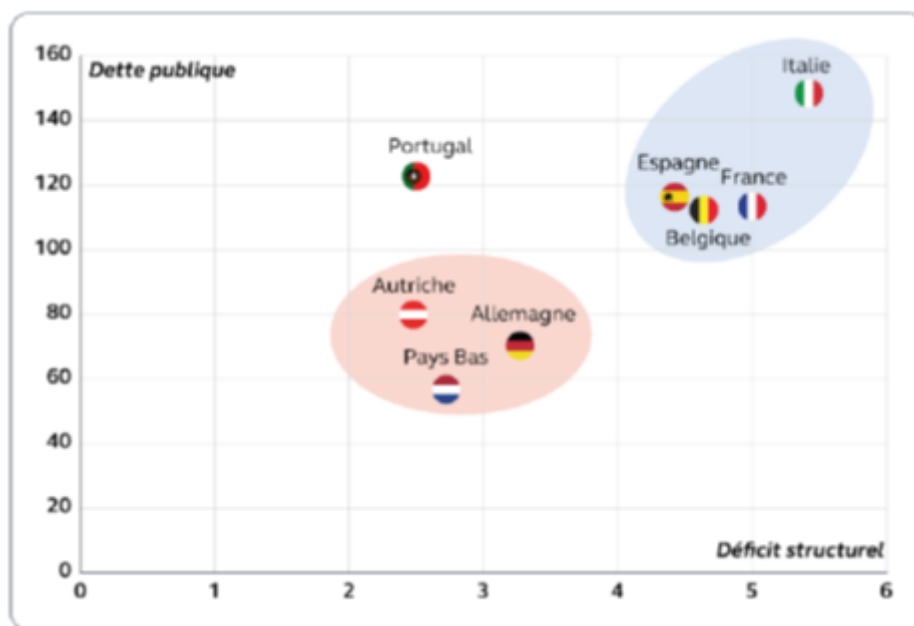
Sources: Insee, Ministry of the Economy, Finance and Economic Recovery

As a result of the significant reductions in compulsory levies and the implementation of new permanent expenditure in 2021 and 2022, the structural deficit, i.e. the deficit corrected for the impact of the economic situation, would also be very high, at 5 points of GDP, i.e. double that of the pre-crisis period (2.5 points in 2019) and higher by nearly 5 points than the medium-term objective set at 0.4 points of GDP in the law of 22 January 2018 public finance programming for 2018 to 2022. The structural balance would thus be far from the desirable level to restore room for manoeuvre to deal with an upcoming economic slowdown.

Beyond 2022, a persistent divergence with our European partners, a reinforced control of essential public expenditure.

Within the eurozone, France would belong to the group of countries whose debt ratio (110 points of GDP or above) and structural deficit (about 5 points of GDP) are the highest, with Italy, Belgium and Spain. On the other hand are the countries whose level of debt is closer to 60 points of GDP and whose structural balance is around 3 points of GDP, such as Germany, the Netherlands and Austria. As the European Commission has already pointed out, for countries whose situation is degraded, such as France, this will imply greater recovery efforts from 2023.

Public debt and structural deficit of the eight main eurozone countries in 2022 (in % of GDP)



Sources: Court of Accounts calculation based on data from countries' draft budget plans

In the medium-term trajectory presented in autumn 2021 on the occasion of the revised draft budget plan, the Government has set itself the target of bringing the deficit below 3 points of GDP and putting the public debt ratio on a downward trajectory in 2027. According to it, the recovery should be based exclusively on controlling expenditure. The estimates made by the Court show that the target set by the Government would require more than €9 billion in additional savings each year compared to the growth in expenditure observed before the crisis (2010-2019), a period during which savings had already been made.

The trajectory adopted by the Government risks increasing the differences in the situation of public finances within the euro area. They would worsen with Germany, where the constitutional debt brake will be implemented from 2023.

The next public finance programming law, which should be presented in the autumn of 2022 after the spring elections, will have to revise the goal of the trajectory of government finances with regard in particular to the economic and health situation but also to the trajectories adopted by our European partners and evolving European budgetary rules.

It will also have to specify, over the duration of the next five-year period, the reforms necessary to build a trajectory which makes it possible to guarantee the sustainability of the debt. This should be based on realistic assumptions, particularly concerning the economic environment, but also on the amount of savings expected from the reforms that will be put in place.

As highlighted by the Court in its June 2021 report entitled "A public finance strategy for exiting the crisis", it will be essential to be selective in the choice of expenditure, to undertake ambitious reforms in certain key sectors in order to change the pace of expenditure in a sustainable way, and to make strengthening the efficiency of public expenditure a top priority.