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PRESS RELEASE

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PUBLIC FINANCES AND ACCOUNTS

THE SITUATION AND OUTLOOK OF PUBLIC FINANCES

In 2018, public deficit has once more reduced, to 2.5 GDP points, albeit less than in 2017. The public debt-to-GDP ratio has stopped rising, for the first time in ten years.
The trajectory set for the April 2019 Stability programme foresees an increase in deficit and debt this year, due to the conversion of competitiveness and employment tax credit (CICE) into a reduction in social contributions, followed by a decline as from 2020, at a much slower rate than under the previous programme.

While the 2019 forecast is achievable, despite the risk of overrunning expenditure targets, the 2020-2022 trajectory - which does not take account of the measures announced at the end of April following the Great National Debate - has many weaknesses, is different to our neighbours' and is not consistent with the public finance programming act of January 2018.

The situation in 2018

Although undeniable improvements have been made to the main public finance indicators, the reduction in deficit is moderate: -0.3 GDP points in terms of headline deficit and -0.1 point in terms of structural deficit (2.3 GDP points), which is still much higher than the medium-term objective (0.4 points).
Expenditure in terms of volume has increased at a lesser rate than both potential growth and the 2011-2016 average.
The public debt has stabilised at 98.4 GDP points; however, the gap with Germany and the Euro zone has widened.
France continues to set itself apart from its European partners with its higher headline and structural deficits and with a lesser improvement rate in terms of public finances.

Outlook for 2019

For 2019, the Stability programme projects a deficit of 3.1 GDP points, increased this year by the conversion of competitiveness and employment tax credit (CICE) into a reduction in social contributions. This forecast is likely. However, there are risks of overrunning the central government's controllable expenditure objectives; these represent €4.3Bn, €1.5Bn of which relate to savings measures aimed at financing part of the decisions announced at the end of 2018. These saving measures have not been

detailed yet and have not been the subject of a text submitted for approval by the Parliament.
Structural deficit is once again predicted to barely reduce in 2019, contrary to France's European commitments. The public debt-to-GDP ratio should start to increase once more, in contrast to the evolution experienced by most of its European partners.

Outlook for 2020 to 2022

Less ambitious than the previous programme, the April 2019 Stability programme has revised downwards the objectives to reduce the public deficit and debt. Set out based on more realistic growth forecasts than the previous programme, they take account of the impact of additional measures to reduce mandatory levies and of lesser expenditure control.
As a result, France's public finance trajectory should diverge even more from that taken by most of its European partners.
In addition, this trajectory has been weakened by the decisions made following the Great National Debate. In this respect, it seems unlikely that their €6.5Bn cost could be entirely compensated for, as from 2020, by the removal of tax expenditures and social contribution exemptions.
The improvement of public finances is postponed to after 2020, without the measures to reach objectives being provided.
Given its high debt and deficit levels, France would have little room for manoeuvre to deal with a cyclical slowdown or a financial shock. Thus, the continuing trend of a decrease in mandatory levies must be accompanied by vital efforts to control public expenditure in order to enable France to keep full control over its budget choices.

Read the report

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