



Press Release

The 28th April 2020

PUBLIC FINANCES AND ACCOUNTS

NATIONAL BUDGET IN 2019

Results and management

Cour des Comptes has published its report on the national budget in 2019, with 66 analyses of budget implementation, in particular by segment and by programme. This report therefore refers to a period prior to the start of the health crisis. The consequences of this crisis for public finances will be the subject of an initial analysis at the end of June 2020 in the report on the situation and outlook for public finances.

Improvement in budgeting and implementation of national expenses continued in 2019, but expenses have increased more rapidly. The national deficit has widened to €92.7 billion. Consequently, debt has increased significantly to reach €1,823 billion at the end of 2019.

Apart from the General Budget itself, the Office examined all the financial resources allocated by the State to public policies. This shows that recourse to these other resources should be restricted and better regulated.

Statement of performance 2019

The national budget deficit has increased by €16.7 billion over 2018. It is the second consecutive year in which the deficit has increased, and the highest level since 2010. This downturn is due in large part to new measures with exceptional and temporary results: changing the Competitiveness and Employment Tax Credit (CICE) into a reduction of social contributions, and deferring to 2020 the collection of a fraction of the personal income tax. It is also the result of the measures decided in December 2018 following the social movements in the autumn.

As a result of the high deficit level in 2019, the national debt has continued to increase rapidly. This increase, held back by high premiums and discounts, did not translate into an increase in interest charges, which were actually reduced by the fall in interest rates and the reduction in inflation. But a national debt almost doubled since the crisis of 2008 makes the state very vulnerable to increases in rates.

Changes in revenue and expenditure

Net State revenue is €233.3 billion, €15 billion less than in 2018. This decrease contributes significantly to the worsening of the national budget deficit in 2019. It is largely due to the transfer of tax revenue to social security authorities, in order to compensate for the increase in exemptions from social contributions replacing the CICE. Conversely, net tax revenue has had a return of over €7.8 billion compared to the initial forecast. The gain was particularly high on the "other tax revenues" (+€4.5 billion) due



to the dynamism in tax from investment income and the strong performance of the property market.

Expenses from the general budget (including *fonds de concours*) reached €336.1 billion in 2019. They increased by 2.2% (on a constant consolidation basis) in 2019, as against only +0.4% in 2018. This increase results from a significant rise in expenditures of intervention (subsidies, social benefits, etc.), particularly due to the increase in the employment bonus (+€4 billion).

The improvement in programming and management, observed in 2018, has been maintained: the initial, realistic budgeting made it possible to limit credit reserves, and the openings and cancellations of budget credits during the course of management were distinctly lower than the average over the last ten years.

The implemented expenses of the General Budget were €2.4 billion less than the initial forecast, with a saving of €1.8 billion on the debt burden. In the area of "controllable national expenses" the norm specified by the initial Finance Law was complied with, but the aim of reducing the target of €1.5 billion, announced by the Government in April 2019 in order to contribute to funding the emergency measures decided at the end of 2018, was only partially met (the savings were limited to €1 billion).

National financial resources other than the general budget to be more closely regulated

Apart from the General Budget itself, the Office analysed all financial resources allocated by the State to public policies, outside the General Budget. The annex budgets and the special accounts represented €21.8 billion in 2019. €30.2 billion in taxes and duties have also been assigned to operators or other bodies for the implementation of public policies. Tax expenditure shows a cost close to €100 billion. These resources, although considerable, do not benefit from the same attention, the same control and the same judgement as the credits in the General Budget.

Lastly, the resources and expenditure of the funds without legal personality (such as the Fund for Innovation and Industry), controlled by the State and the management of which is entrusted to third parties, are not routinely tracked in the accounts of the management bodies. In certain cases, they are not even presented to Parliament or to the decision-making entities of the management bodies. A review of all these funds is needed; other management methods must be envisaged to achieve better control of expenses.

The Office puts forward ten recommendations, eight of which refer to financial resources other than the credits in the General Budget.

Read the report and the analyses of budget implementation

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