Haut Conseil des Finances Publiques

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On the public finance programming bill
for the years 2018 to 2022

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Main conclusions

The High Council notes that the output gap (between actual and potential GDP) estimate has been substantially revised downwards, by comparison with previous financing bills. The new estimate is in the lower range of international organizations' estimates. The High Council considers it more realistic. This revision leads to higher structural deficit estimates (-2.5 % rather than -1.5 % of GDP for 2016). It is consistent with observations the High Council made in the past and reveals the need for a greater effort to achieve a balanced budget in the medium term.

The Government's potential growth scenario is close to the average of available estimates. The High Council considers it a reasonable basis for medium term public finance programming.

The Government's macroeconomic scenario anticipates the closure of the output gap by 2020 and an increasingly positive output gap beyond. The High Council regards the closure of the output gap within the frame of the bill as plausible in the absence of a new crisis. However, it considers the assumption of a positive output gap at the end of the period rather optimistic. It notices that this assumption leads to a lower public deficit at the end of the period and to a more favorable path of public debt.

The Government's bill respects the recommendation made by the European Council to France to bring its public deficit below 3% of GDP in 2017. France could therefore exit the ongoing excessive deficit procedure in 2018 and enter the preventive arm of the Stability and Growth Pact. Under these rules, structural deficit must be reduced in order to reach the medium term objective (set to -0.4 % of GDP in the programming bill).

In this respect, the High Council emphasizes that the planned path moves away from France's European commitments, its annual structural adjustment being lower than the one provided by article 5 of the European Regulation n°1466/97. The achievement of the medium term objective (MTO) is therefore deferred beyond the term of the programming bill.

Given the planned reductions in compulsory levies, the bill implies the respect of a demanding public expenditure path. Considering the high level of structural deficit, the High Council emphasizes the need to respect the spending objectives, even in the event of better than expected revenues.