

**OPINION OF THE HIGH COUNCIL OF PUBLIC FINANCE ON
THE GENERAL GOVERNMENT STRUCTURAL BALANCE PRESENTED
IN THE BUDGET SETTLEMENT BILL FOR 2017**

On Friday 18 May 2018, the High Council of Public Finance adopted an opinion concerning the general government structural balance presented in the budget settlement bill for 2017.

Main conclusions of the HCFP's opinion:

The nominal general government deficit stood at 2.6 % of GDP in 2017 compared with 2.9 % in the Public Finance Programming Law (LPFP 2018-2022) and after 3.4 % in 2016. The 0.3 point deviation from the programming law entirely relates to the cyclical component of the deficit. It is explained by the upward revision of GDP growth in 2017 (2.2 % in the budget settlement bill against 1.7 % in the programming law).

The High Council notes that the estimated structural deficit for 2017 is identical to the one contained in the January 2018 programming law. It points out, however, that the gap between this structural balance and the one posted for the same year in the new programming law prepared and adopted only a few months earlier could only be small.

Based on the estimation of potential growth of the Programming law 2018-2022, the structural deficit is reduced by 0.3 percentage point of GDP in 2017. The structural effort, which aims to measure the share of this improvement resulting from government action, is slightly negative. The reduction of the structural deficit stems from a particularly high elasticity of compulsory levies to GDP.

The High Council thus points out that the reduction of the general government deficit below the 3 % of GDP ceiling, which should enable France to emerge from the excessive deficit procedure, was achieved without any discretionary budgetary effort in 2017.

The High Council stresses that non-compliance with the expenditure path will not always be offset by positive revenue surprises, whether directly related to the economic cycle or to a high revenue elasticity to GDP. Consequently, compliance with the public finance path will require the implementation of the efforts announced in the programming law, in particular on public expenditure.