

**OPINION OF THE HIGH COUNCIL OF PUBLIC FINANCE ON THE
MACROECONOMIC ASSUMPTIONS OF THE
STABILITY PROGRAM 2018-2022**

On Friday 13 April 2018, the High Council of Public Finance adopted an opinion concerning the macroeconomic assumptions of the Stability program for 2018-2022 to be transmitted by French Government to European authorities before the end of April.

Main conclusions of the HCFP's opinion:

For 2018, the High Council considers that the sequence described in the macroeconomic scenario of the stability program for France is plausible, as are the employment, payroll and inflation forecasts. It considers the Government's growth forecast of 2.0 per cent to be realistic.

The High Council deems the Government's estimates of the output gap for 2017 and 2018 acceptable.

However, it points out that the uncertainty surrounding the estimates of output gap is significant and that this uncertainty is not removed by analyzing the business survey and price indicators that are related to the economic cycle. Although capacity utilization rates and recruitment difficulties are well above their long-term average at the beginning of 2018, underlying inflation is still very low and does not show any signs of tension.

As regards potential growth, the High Council reiterates its assessment of last September. It considers that the assumptions adopted by the Government over the period 2018-2022 constitute a reasonable basis for medium-term public finance programming.

The High Council notes that in most of the available forecasts, growth would peak in 2017 or 2018 and would decline slightly more in 2019 than in the Government forecast. However, the High Council considers that the Government's growth forecast for 2019, close to consensus, is achievable.

For the following years, the High Council considers that the scenario adopted of actual growth remaining continuously above potential growth until 2022 is optimistic, given the assumptions made regarding higher interest rates and the consolidation of public finances.

The High Council notes that the Government's growth scenario results in a positive general government balance at the end of the period and a favorable public debt trajectory. It stresses that this public finance scenario is based on an optimistic growth path.

It notes that the structural balance, which is not affected by the assumptions of actual growth, would remain negative throughout the period, while improving significantly.

It reminds that the realization of this public finance scenario requires strict compliance with the Government commitments to control public expenditure.