

**Opinion n° HCFP-2020-3  
on the general government structural balance presented in the budget  
settlement bill for 2019**

24 April 2020

1. The Government referred to the High Council of Public Finance on 9 April 2020, pursuant to Article 23 of Organic Law No. 2012-1403 of 17 December 2012 relating to the programming and governance of public finances, in order to assess whether the multi-year structural balance objectives are being met in 2019. The High Council, after deliberating on this matter at its meeting of 22 April 2020, adopted the present opinion.

**Summary**

*The High Council notes that the structural deficits, estimated at 2.2 points of GDP for 2018 and 2.0 points of GDP for 2019, do not deviate markedly from those forecast in the Public Finance Programming Law (LPFP) of January 2018, where they were foreseen at 2.1 and 1.9 GDP points respectively, and that there is therefore no need to trigger the correction mechanism provided for in Article 23 of the Organic Law.*

*In 2019, on the basis of the potential growth assumed in the LPFP 2018-2022 and current GDP growth estimates, the structural deficit is reduced by 0.2 percentage points of GDP, slightly below the target of 0.3 percentage points of GDP set in the programming law.*

*The High Council notes that this improvement in the structural balance is due to factors (usually described as "non-discretionary") which are not the result of actions by the government, and in particular to a GDP elasticity of compulsory levies higher than one.*

*The structural effort, which neutralises this elasticity effect, is negative, amounting to -0.1 points of GDP. The measures to reduce compulsory levies implemented in 2019 (for 0.4 points of GDP) weigh more heavily than the effort to contain expenditure (which is 0.2 points of GDP). In addition, the reduction in interest payments resulting from the fall in interest rates contributed to 0.3 percentage points to the expenditure effort.*

*The High Council underlines that, while the reduction in the structural deficit in 2019 is close to the path set out in the LPFP, the structural balance (-2.0 points of GDP) remains far from the medium-term objective (-0.4 points of GDP) established in that text.*