

Opinion n° HCFP-2020-6

on the fourth amending budget bill for 2020

2 November 2020

*The High Council is referred by the Government of a fourth draft amending budget bill (PLFR), which once again incorporates significant changes in both macroeconomic and public finance scenarios. It notes that the uncertainties related to the health crisis caused by the Covid-19 epidemic remain exceptionally high.*

*The High Council estimates that the forecast of an 11% decline in GDP included in the 4<sup>th</sup> amending budget bill for 2020 compared with 2019 assumes a sharp deterioration in activity in the fourth quarter and the maintaining of containment measures beyond the month of November alone. This latter assumption seems coherent to the High Council in view of the uncertainties surrounding the health conditions.*

*The High Council notes that the forecasts for general government revenue, expenditure and balance for 2020 take into account the consequences of the decline in activity included in the macroeconomic scenario and the upward revision of the cost of business and household income support measures. They take into account uncertainties in public finances that are unusually large for this stage of the year.*

*As in its opinion on the budget bill for 2021, the High Council notes the lack of significance of the evaluation of the structural balance presented by the Government, which would be -0.6 points of GDP in 2020, representing an improvement of 1.6 points of GDP compared to 2019, even though the situation of public finances has particularly deteriorated this year. It considers that the reference to the Public Finance Programming Law (LPFP) of January 2018 has become obsolete because of the downward revision that would be necessary, due to the health crisis, to the estimation of potential GDP for 2020 included in the LPFP. Moreover, the calculation of the structural balance is made insignificant by the conventions adopted by the Government to classify many support measures as one-off and temporary measures.*

*The High Council notes that the public debt ratio, once again revised upwards, would be more than 20 points above its pre-crisis level in 2020. This sharp increase, the result of a shock to economic activity that is as violent as it is unprecedented and of the budgetary response provided, comes after an almost uninterrupted decade of rising debt.*

*As it has already noted in its opinion on the budget bill for 2021, the High Council considers that, in a context where a likely weakening of potential growth following the health crisis is going to make it more difficult to reduce the deficit, the medium-term sustainability of public finances is a central issue in France's financial strategy and calls for the utmost vigilance.*