Haut Conseil des Finances Publiques

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 4th 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.

1. The Government referred to the High Council of Public Finances on December 17, 2020, pursuant to article 15 of organic law n ° 2012-1403 of December 17, 2012 relating to the programming and governance of public finances, the introductory article of the fourth amending finance bill (PLFR) for 2020 to give an opinion on the associated macroeconomic forecasts as well as on the consistency of this bill with the multi-year trajectory of structural balance.

2. In the context of the health crisis caused by the Covid-19 epidemic, the High Council is thus called upon, for the fifth time this year, to give an opinion on the macroeconomic forecasts of the Government and the evolution of the trajectory structural balance in 2020, after the three amending spring finance bills and the 2021 finance bill (PLF) presented in September.

3. In order to assess the realism of the macroeconomic forecasts associated with the amending finance bill, the High Council relied on the latest available statistics and on the information communicated by the Government, in its referral and in the responses to the questionnaires which they addressed the High Council.

4. The High Council proceeded, as permitted by article 18 of the organic law of 2012, to hear the representatives of the competent administrations (Directorate General of the Treasury, Directorate of the Budget and Directorate of Social Security) following the initial referral.

5. He also heard from representatives of Insee, the Research, Studies and Statistics Department (Dares) of the French Ministry of Labour, the Banque de France, Rexecode and the French Economic Observatory (OFCE).

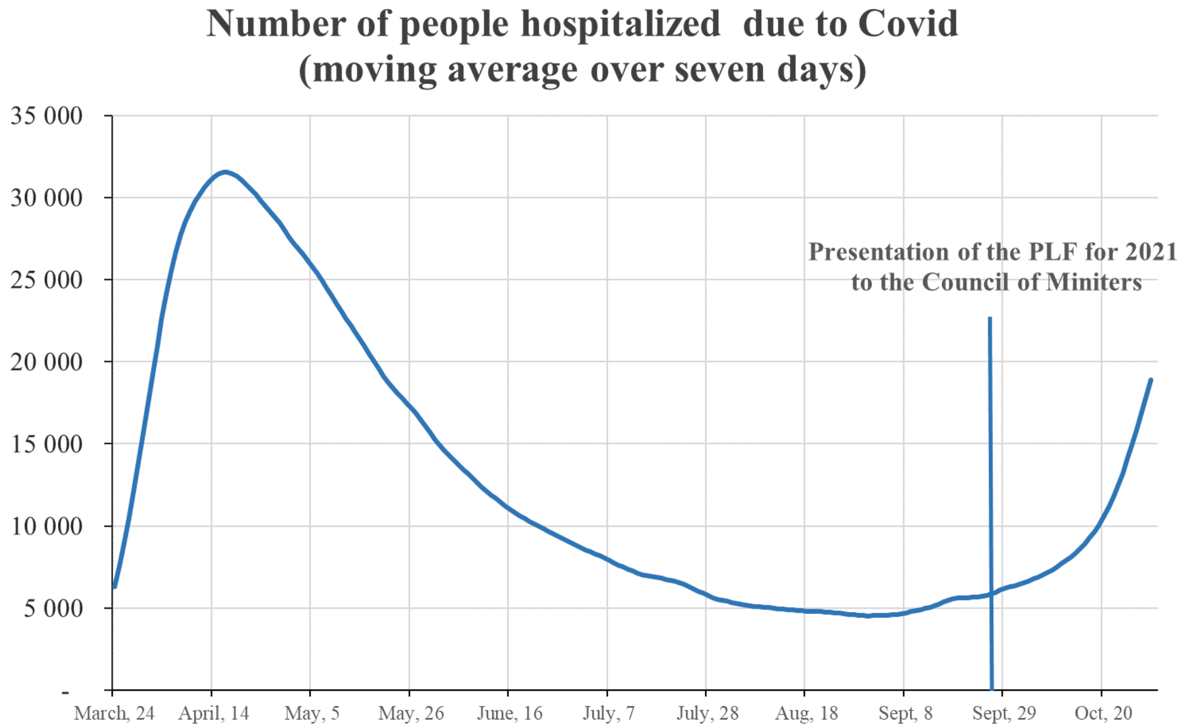
6. The High Council adopted the following opinion after discussions at its meeting on November 2, 2020.

1. Macroeconomic forecasts for 2020

7. The Government has revised its activity scenario for 2020 in relation to the finance bill (PLF) for 2021, without, however, presenting an updated forecast on other macroeconomic variables (composition of activity, household accounts or companies, price trends, etc.). The GDP decline forecast for 2020 is increased compared to the PLF for 2021, going from 10% to 11% in this PLFR.

8. The rebound in activity expected for the third quarter at the time of the presentation of the PLF for 2021 has nevertheless taken place: GDP grew by 18% in the third quarter. This rebound is even a little higher than that expected by Insee or the Banque de France. The resulting decline in GDP[1] therefore stands at -8.3% at the end of the third quarter, thus significantly above the decline forecast for 2020 by the Government in this PLFR.

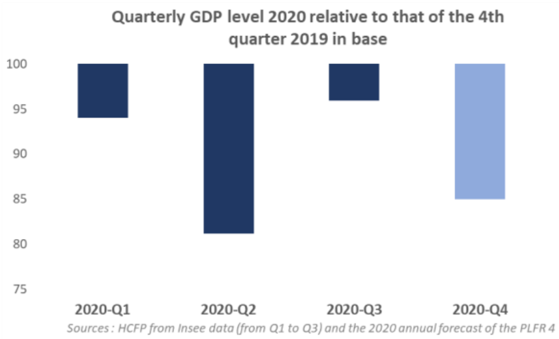
[1] That is, the decline in GDP that would be recorded in 2020 relative to 2019 if GDP remained at its third quarter level in the fourth quarter.

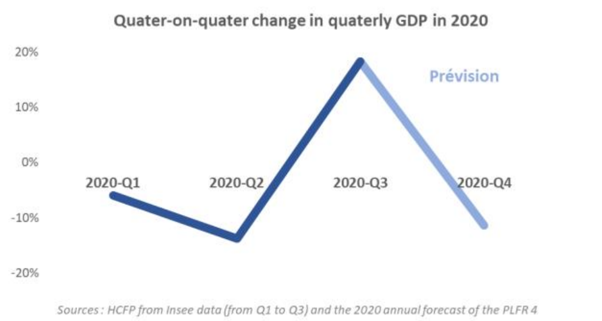


Source : https://www.data.gouv.fr/fr/datasets/donnees-hospitalieres-relatives-a-lepidemie-de-covid-19/#_

9. Nevertheless, the deterioration in the health situation since the publication of the PLF for 2021 and the marked tightening of health restrictions from October 30 now lead to expect a decline in activity in the fourth quarter that is greater than that incorporated by the Government in the PLF scenario for 2021.

10. By way of illustration, an annual GDP contraction of exactly 11% in 2020 assumes a GDP that is around 15% below its level at the end of 2019.





Reading note: the first graph shows the deviation of the level of GDP (in volume) of each quarter of 2020 compared to the 4th quarter of 2019. For example, the real GDP of the 2nd quarter of 2020 was equal to 81% of that of 4th quarter 2019. The second graph shows the quarter-on-quarter evolution of real GDP. For example, the GDP growth in the 2nd quarter was -13.7% compared to the 1st quarter of 2020.

11. The extent of the decline in activity that will actually be recorded in the fourth quarter is affected by many uncertainties, which mainly relate to:

- the decline in activity caused by the new lockdown decided by the Government from October 30, 2020;

- the duration of the lockdown, the President of the Republic having announced that it would be maintained as long as the number of contaminations has not been sufficiently reduced;
- the intensity of containment measures, which are likely to be relaxed or, on the contrary, tightened if the restrictions decided on prove to be effective or on the contrary insufficient to reduce the prevalence of the virus[2] ;
- then the extent of the rebound in activity, when the measures restricting activity and travel begin to be lifted.

12. It is difficult to estimate the decline in activity caused by the new confinement: although it is less strict than in the spring, schools and factories in particular remaining open, it very significantly limits the operation of large areas of the economy.

Orders of magnitude of the impact of a month of *strict* lockdown

In view of the estimates available on the economic and public finance situation in spring 2020, a few orders of magnitude can be retained for a strict containment (that is to say involving restrictive measures equivalent to those of spring 2020 and therefore more stronger than those announced on October 28). A month of strict confinement would thus result in:

- an impact on annual GDP of around 2.5% per month of confinement, according to the latest estimate made by Insee[3] of the impact of confinement in April 2020, reflecting a loss of activity of 30% compared to normal ;
- an impact on the deficit of around € 36bn (1.5 points of GDP), of which around € 16bn resulting from lower revenue and around € 20bn in additional expenditure, under the assumption that the measures taken during the spring 2020 containment would either be repeated identically[4] or extended to their level at the beginning of October with regard to the expenditure of the Solidarity Fund, given the increase in the aid allocated[5] .

13. The impact on activity of sectors subject to the same activity restrictions as during the first lockdown can be estimated by assuming that it will be close to that recorded in April.

14. On the other hand, the impact of confinement on the other sectors cannot be directly deduced from this episode, because they are in principle less affected by the traffic restrictions and the closure of schools which had prevented companies in the spring to have a significant portion of their workforce available. In addition, businesses should be more prepared to deal with the health restrictions than they were in the spring. They should therefore adjust their activity accordingly in smaller proportions than during spring lockdown but very difficult to assess precisely.

[2] The impact of the first measures decided in October, in particular the implementation of a curfew for part of the territory, is also surrounded by some uncertainty, but of lesser magnitude.
[3] Insee, Note de conjoncture, Une économie diminuée, p. 22.
[4] With, in particular, a reactivation of the partial unemployment scheme as it prevailed in the spring, and exemptions from social security contributions in an amount equivalent to that of last April.
[5] Schematically: extension to companies with less than 50 employees in the tourism sector and increased assistance for cases of administrative closures (see in particular press release No. 265 of 8 October 2020 from the offices of Bruno Le Maire and Alain Griset).

15. Thus, the containment measures decided at the end of October should lead in November to a decline in activity, compared to its level at the end of 2019, intermediate between that recorded in the third quarter (around 4% on average) and that of April. (around 30%).

16. The level of GDP for the last quarter of 2020 compatible with a decline in GDP close to 11% in 2020 (a GDP lower than its level at the end of 2019 by almost 15%, i.e. nearly 20% below the normal on average over the months of November and December[6] alone) thus supposes a marked deterioration in activity and an extension of confinement beyond the single month of November.

17. **The High Council estimates that the forecast of an 11% decline in GDP included in the 4th 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.**

2. The forecast of revenue, expenditure and public finance balance

18. Before the reconfiguration and the implementation of new emergency and support measures, the High Council estimated, in its September opinion on the PLF for 2021, the compulsory levies forecasts consistent with the economic scenario adopted and that likely public expenditure.

19. Like the macroeconomic forecasts, the public finance forecasts have been revised to take into account the impact of the tightening of health restrictions and the measures taken to support households and businesses affected by this tightening.

20. The public deficit forecast is thus increased by one point of GDP compared to the underlying forecast of the 2021 PLF, to 11.3 points of GDP, and the public debt forecast by around two percentage points. GDP, at 119.8 points of GDP. The increase in the public deficit would be entirely attributable to the increase in expenditure, for a total amount of € 20.1 billion, while the revenue assumption is practically unchanged from the PLF for 2021.

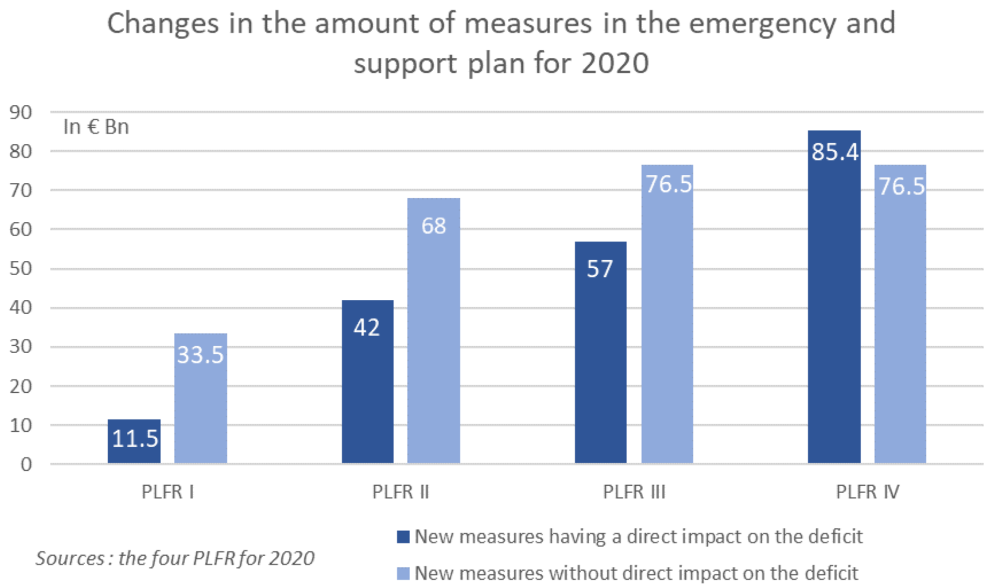
21. With regard to **compulsory levies**, the Government considers that the impact of the new lockdown will be offset by the capital gains in revenue, in particular in corporation tax and VAT, which were recorded at the end of September compared to the forecast underlying the PLF for 2021. This estimate, which remains subject to the uncertainty which surrounds in particular the evolution of consumption and the wage bill at the end of the year, due to health restrictions, and the revenues still difficult to anticipate from the last advance of corporate tax, is plausible.

22. The occurrence of the second wave of the Covid-19 epidemic, on the other hand, has led to an upward revision of **public spending** due to the significant increase in support provided to the various economic agents. The increase in public expenditure (excluding tax

[6] Assuming a limited decline in activity in October compared to September, the health restrictions that began to be implemented in October were also of relatively limited intensity.

credits) displayed in the 4th PLFR for 2020, of 7.8% in value, is thus revised upwards by more than one point compared to that presented in the PLF for 2021 (6.5%).

23. This new increase in the expenditure forecast mainly reflects the increase of the economic support provided to the income of households and businesses, mainly within the framework of the mechanisms that had already been put in place last spring, in particular direct aid to businesses via the solidarity fund (+ € 10.9bn), social security contribution exemptions (+ € 3.0bn) and partial activity (+ € 3.2bn). This new envelope is in addition to those that had already been opened in previous PLFRs, emergency and support measures being extended or even reinforced. In particular, the rate of support by public administrations of the cost borne by companies for partial activity, which had been reduced in June, has been brought back to its spring level, while the increase, decided at the start of October, in the level of aid granted by the solidarity fund to businesses is maintained.



24. In addition, with the rebound of the epidemic recorded at the end of October, the forecast includes an increase of € 2.4 billion in Ondam[7] 2020 compared to the PLFSS[8] filed in September which has already been translated into the PLFSS currently being discussed in Parliament in the form of an amendment presented by the Government on October[9] 21. This increase mainly includes the € 1.9 billion increase in the resources of health and medico-social establishments.

[7] Ondam ("Objectif de dépenses de l'assurance maladie") is a target fixed annually to a large part of health expenditures.
[8] PLFSS ("Projet de loi de financement de la sécurité sociale »): social security financing bill.
[9] Amendment No. 2713 presented on October 21, 2020 by the Government to the National Assembly on the PLFSS for 2021

Government estimate of support measures affecting the public deficit (in € bn)

Measures having an effect on the public deficit[10]	*For memory : PLF for 2021*[11]	PLFR 4
Partial activity	*30.8*	34.0
Solidarity fund (excluding insurers' share)	*8.5*	19.4
Exceptional ONDAM	*9.8*	11.8
Compensation for exemption from social contributions	*5.2*	8.2
Extension of replacement income and the delay in the entry into force of the unemployment insurance reform	*1.6*	1.6
Exceptional assistance to the self-employed (CPSTI)	*0.9*	0.9
Social inclusion and protection of vulnerable people (including exceptional precariousness bonus)	*0.9*	2.0
Repayable advances to businesses	*0.5*	0.5
Report des déficits antérieurs sur l'assiette fiscale IS (Carry-Back)	*0.4*	0.4
Purchase of non-surgical masks	*0.3*	0.6
EIB claims experience	*0.1*	0.1
Various government credits (additional emergency credits, other LFR III credits)	*5.6*	6.0
Total (in € Bn)	***64.5***	**85.4**
Total (in points of GDP)	***2.9 %***	**3.9 %**

Sources : economic, social and financial report (RESF) for 2021 annexed to the 2021 PLF and PLFR 4

25. The amount included in the forecast for these measures appears on the whole consistent with the expected impact of the expected decline in economic activity on the use of these schemes, even if they could ultimately be less used by companies and that other public expenditure, in particular on current operations and investment of local communities and the State, could turn out to be lower than expected because of these new health restrictions.

26. **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.**

[10] The other measures not having direct effects on the public deficit are left unchanged compared to the 3rd LFR.
[11] Economic, social and financial report (RESF) annexed to the PLF for 2021.

3. Consistency with the multi-year structural balance trajectory

28. According to the government, the structural balance[12] would amount to -0.6 GDP points in 2020, after -2.2 in 2019. The structural adjustment, i.e. the change in the structural balance, would thus amount to +1.6 GDP points, an improvement of 0.6 GDP points compared with the PLF forecast for 2021.

Government Breakdown of the public balance presented by the Government

In points of GDP	**PLFR 4 for 2020 (October 2020)**		*Programming law (January 2018)*		*Gap*	
	2019	**2020**	***2019***	***2020***	***2019***	***2020***
Public balance	**-3.0**	**-11.3**	***-2.9***	***-1.5***	***-0.1***	***-9.8***
Cyclical component	0.2	-7.2	*-0.1*	*0.1*	*0.3*	*-7.3*
One-off measures[13]	-1.0	-3.5	*-0.9*	*0.0*	*-0,1*	*-3.5*
Structural balance	**-2.2**	**-0.6**	*-1.9*	*-1.6*	***-0,3***	***+1.0***

Note : Figures being rounded to the nearest tenth, components may not add to the total.
Source : PLFR 4 for 2020 and 2018 programming law.

29. In line with its opinion on the PLF for 2021, the High Council emphasizes that the breakdown of the public balance in 2020 presented by the Government is of little significance, due to the exceptional nature of the changes in economic activity and certain conventions used by the Government to make this breakdown. This leads to an improvement in the structural balance of 1.6 points of GDP in 2020 compared to 2019, even though the Government has provided very significant budgetary support to economic activity.

30. The evaluation of the structural balance in 2020 is thus affected by the choice of considering support measures as temporary or, on the contrary, structural. All of the measures taken to address the health crisis (nearly 4 points of GDP) have been recorded by the government as temporary measures in 2020 and therefore do not deteriorate the structural balance, while the increase in the rate of compulsory levies under constant legislation, which is yet largely the result of the impact of these support measures on household and companies[14] incomes, is considered structural.

31. Moreover, the significance of the structural balance is very much reduced this year by the estimate of potential GDP used for its calculation. Even though the health crisis has strongly affected the productive potential of the French economy, the estimate on which the High Council's opinion must be based is that of the January 2018 public finance programming law. This reference, which is in accordance with the Organic Law of 17 December 2012, is now obsolete, as the High Council stressed in its opinion on the PLF for 2021 and as also considered by the Government, which has presented a sharply revised

[12] See Appendix 3 for a definition of the concepts used in this section.
[13] The figure for 2020 for one-off and temporary measures does not correspond exactly to the figure in the previous table detailing these measures because the calculation here is based on potential GDP. In addition, some one-off measures (such as the effect of the judicial public interest agreements for +€2.1 billion) are in addition to the measures of the emergency and support plan and have a favorable impact on the public balance.
[14] The elasticity of the compulsory levies is 0.7 in this PLFR.

estimate of potential GDP, which has been revised downwards from 2020 in the documents associated with the PLF for 2021.

32. Finally, the public debt-to-GDP ratio would rise from 98.4 points of GDP in 2019 to 119.8 points of GDP in 2020, an increase of more than two points over the PLF for 2021 and more than 20 points over the initial budget law for 2020. As already noted in its opinion on the PLF for 2021, the High Council considers that the medium-term sustainability of public finances, in a context where a likely weakening in potential growth following the health crisis could make it more difficult to reduce the deficit, is a central issue in France's financial strategy and calls for the utmost vigilance.

Evolution of public debt and deficit forecasts for the year 2020

In points of GDP	**PLF 2020**	**PLFR 1**	**PLFR 2**	**PLFR 3**	**PLF 2021**	**PLFR 4**
Public balance	-2.2	-3.9	-9.0	-11.4	-10.2	-11.3
Public debt	98.7	102.9	115.2	120.9	117.5	119.8

Source: various budget bills

33. **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.**

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

35. **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.**

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This opinion will be published in the Official Journal of the French Republic and attached to the amending budget bill for 2020 when it is submitted to the National Assembly.

Done in Paris, 2 November 2020.

For the High Council of public finance,
The first president of the Court of Auditors,
President of the High Council of public finance

Pierre MOSCOVICI

Annex 1: draft introductory article

Forecast structural balance and effective balance for the general Government for the year 2020

The forecast for the structural balance and the effective balance of all public administrations for the year 2020 is as follows:

(In gross domestic product points)(*)

	2019 result	2020 forecast
Structural balance (1)	-2,2	-0,6
Cyclical balance (2)	0,2	-7,2
One-off and temporary measures (3)	-1,0	-3,5
Effective balance (1+2+3)	-3,0	-11,3

(*) The amounts in this table are rounded to the nearest tenth of a point; it follows from the application of this principle that the rounded amount of the effective balance may not be equal to the sum of the amounts used in its calculation.

Explanatory statement of the article:

This article presents, in accordance with Article 7 of the Organic Law n°2012-1403 of December 17, 2012 relating to the programming and governance of public finances, the forecast of the structural balance and the effective balance of all public administrations for 2020.

The public balance forecast for 2020 now stands at -11.3% of GDP, compared with -10.2% of GDP in the draft budget bill for 2021 (PLF). This deterioration can be explained by the expansion of support measures to deal with the second wave of the covid-19 epidemic.

The announcements following the implementation of a curfew and then a new lockdown would lead to an amendment to the forecast of up to €20.1 billion on the balance compared to the PLF:

- the increase in Solidarity Fund credits (€10.9 billion) to take into account the consecutive extensions of its eligibility criteria, leading to a public expenditure of €19.4 billion (compared to €8.5 billion in PLF 2021, figures excluding the portion carried by insurers);
- the new exemptions from social security contributions, which would weigh on social security revenues to the tune of €3.0 billion in 2020, leading to a total of €8.2 billion in exemptions (compared to €5.2 billion in PLF 2021), compensated by the State;
- the increase in the cost of the partial activity plan for 2020 in the amount of €3.2 billion for the State and Unedic, leading to a total intervention for the year of €34.0 billion (compared to €30.8 billion for PLF 2021);

- 1.1 billion in financing, out of the State's controllable expenses, of the bonus for RSA and APL beneficiaries announced by the President of the Republic on October 14;
- in the field of health insurance expenses, the announcements led to the inclusion of a provision of €2.4 billion for additional costs related to the health crisis, the advancement to December of the second part of the remuneration Ségur, increased compensation for overtime and compensation for leave not taken[15].

Moreover, the deterioration in the activity forecast associated with this second phase of containment, with a drop in GDP of -11% against -10% at the PLF, would weigh on public revenue. However, this deterioration would be offset by the better revenues coming from accounting data observed since the PLF trajectory was finalized, particularly on corporate income tax, VAT and income tax.

Other revision factors mainly relate to the increase in unemployment insurance expenditure, excluding partial activity, and the increase in France's contribution to the European Union budget.

The structural balance is projected to rise to -0.6 percent of GDP in 2020, compared with -1.2 percent at PLF 2021. Indeed, in line with the decision to treat emergency spending as one-off and temporary measures, most of the measures announced following the introduction of the curfew and then the new lockdown do not affect the structural balance, which is also supported by the resilience of revenues. The same precautions as in PLF 2021 apply to the interpretation of the structural balance in 2020, which must remain cautious given the specific nature of the year, with in particular strong elasticity effects of compulsory levies and strong uncertainties on the potential level of activity. In this PLFR IV, as in PLF 2021, the structural breakdown of the balance is based on the potential growth assumptions of the 2018-2022 LPFP.

[15] On the Ondam field, increased by €2.4bn, only €1.9bn affects the all-APU balance, as the remaining €0.5bn is intended to offset declines in hospital revenues, already provisioned as such in PLF 2021, and therefore has no effect on the public balance.

Annex 2: Methods for estimating the general government structural balance

The structural balance estimate

To assess the public finance path, the structural budget balance is usually considered. The structural balance is the **public balance adjusted for the direct impact of the economic cycle and exceptional events**. The public balance is thus divided into two components:

- A **cyclical component,** which reflects the impact of the economic cycle on public administrations' expenditure and revenue;
- A **structural component,** being what the public balance would be if domestic production were at its potential level.

The calculation of the cyclical and structural components of the public balance is based on the potential GDP estimate. Potential GDP is the "sustainable" output, i.e. the quantity that can be produced without having positive or negative impacts on inflation. The cyclical component of the public balance results from the cyclical variations in public revenue and expenditure, considered as follows:

- **On the revenue side**, only compulsory levies are assumed to be cyclical. The cyclical parts of the income tax, corporate income tax, social security contributions and other mandatory contributions are calculated separately based on the observed levels, the estimated output gap and the elasticity of each tax category to GDP growth[16];
- **On the expenditure side**, only the unemployment compensation expenses are considered dependent on economic conditions[17]. Their cyclical share is estimated, as for revenue, based on their elasticity to the output gap and the amounts observed.

The structural balance is calculated as the difference between the nominal public balance and the cyclical component estimate. Given the fact that compulsory levies and cyclical expenses account for about half of GDP and that their average elasticity is close to one, the cyclical component of the public balance is equal to just over half the output gap (for France). **A final correction is made to the structural balance in order to exclude certain events or actions** that have no lasting impact on the public balance. **However, there is no comprehensive definition of one-off and temporary measures and their assessment is partly based on interpretation.**

The components of the structural adjustment

The variation of the structural balance is known as "structural adjustment". A positive structural adjustment reflects a budgetary policy directed towards the medium term objective (-0.4% for France as set by the programming law), when there initially is a deficit. Conversely, a negative structural adjustment reflects an expansionist budgetary policy, increasing the structural deficit.

[16] This effect is evaluated on the basis of the average "elasticities" of each tax category with respect to the output gap. The elasticities used are those estimated by the OECD.
[17] As for other expenditures, they are either discretionary in nature or no link with the economic situation can be clearly and reliably identified.

In order to assess more sensibly the budgetary policy, the **structural adjustment is divided into two components**.

- **The structural effort, which measures the discretionary part of the structural adjustment, i.e. controlled by public decision makers, is made of**:

    - **the expenditure restraint**, which compares the public spending real growth (calculated with the GDP deflator) to the economy's potential growth. It has a positive contribution to the structural adjustment when public spending grows slower than potential GDP;
    - the **new measures on compulsory levies**.

- **The non-discretionary part** takes into account:

    - the impacts of **changes in revenue elasticities**: since the cyclical component of the public balance is based on average elasticities, the structural balance includes the effects of elasticity fluctuations around the long-term average value;
    - the **changes in revenues other than compulsory levies**.