

Opinion n° HCFP-2021-3
on the first amending budget bill for 2021

31 May 2021

Main conclusions

The Government referred to the High Council of Public Finance the introductory article of the first amending budget bill (PLFR) for 2021. It once again emphasizes the very short deadlines within which it has to deliver its opinion on the PLFR's macroeconomic and structural balance forecasts. Originally set to five days, the High Council's examination period was reduced to less than three days following the corrective referral file.

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The High Council notes that the Government's growth forecast for 2021 (+5%) is unchanged from the one included in the stability programme of last April. In a context of persistently high uncertainty and in the light of the latest business cycle information, the High Council considers this growth forecast to be realistic.

It also considers that the employment and wage bill forecasts are rather prudent. Inflation could also turn out to be somewhat higher than the forecast in the PLFR.

The High Council notes that the forecasts of general government revenue, expenditure and public balance for 2021 have been revised and take into account the extension of a number of support measures. It notes that the public deficit is expected to reach 9.4 points of GDP in 2021, deteriorating by 0.2 points compared to 2020, despite the expected rebound in growth. The revision of the public finance scenario since the April 2021 stability programme has not led to a revision of the macroeconomic scenario.

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Under the terms of the Organic Law of 17 December 2012, the High Council must give its opinion on the consistency of the structural balance trajectory adopted in this PLFR for 2021 with that of the current programming law of 22 January 2018 for the years 2018 to 2022.

The High Council points out once again that the January 2018 programming law is an outdated reference, both in terms of the macroeconomic and public finance scenarios.

Beyond the difficulties in interpreting the level and evolution of the structural balance, notably due to the different treatment in the recording of support measures between 2020 and 2021 (from temporary to structural), the High Council notes that the structural balance presented in this document by the Government would deteriorate by 5 points between 2020 and 2021 to reach -6.3 points of GDP in 2021. The structural balance forecast for 2021 would thus be 5.1 points worse than the one set out in the January 2018 programming law.

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The High Council notes that the data presented in this PLFR show the very deteriorated situation of France's public finances in 2021. According to the forecast in the amending budget bill, the public debt ratio would increase by 20 points of GDP between 2019 and 2021, reaching more than 117 points of GDP. With the deficit level expected to be higher in 2021 than in 2020, the path to deficit reduction and the sustainability of public finances are key issues in France's fiscal strategy and calls for the utmost vigilance.