Haut Conseil des Finances Publiques

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On the budget bill and the social security financing bill for the year 2022

17 September 2021

Main conclusions

The draft budget bill (PLF) for 2022 referred to the High Council is incomplete. It does not include the impact of major measures, already announced by the Government (major investment plan, new active measure for young people, notably) which the Government plans to adopt by way of amendment during the parliamentary debate.

The High Council regrets that the conditions of referral do not allow it to give a fully informed opinion on the public finance forecasts for 2022 to the Parliament and the citizens, in application of its mandate. If, as is likely, the macroeconomic and public finance scenario were to be modified to take these measures into account, the Government would have to refer to the High Council again.

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The High Council considers that the Government's growth forecast for 2021 (+6.0%), which has been revised upwards since the first amending budget law of the year (LFR1) due to a stronger-than-expected improvement in economic indicators, is prudent and that the forecast for 2022 (+4.0%) is plausible. The inflation forecast is realistic for 2021 and 2022.

However, the High Council considers the employment and wage bill forecasts for 2021, which do not take into account the latest available information, to be too low. Starting from a higher level in 2021, employment and the wage bill should also be higher in 2022 than forecast in the PLF.

As a result of the likely additional revenues, the general Government deficit for 2021 could be less deteriorated than projected by the Government (-8.4 points of GDP). For 2022, revenue based on wages could also be underestimated. Conversely, the expenditure forecast is reasonable given the information provided to the High Council. However, as these elements are incomplete, the High Council is not at this stage in a position to give an opinion on the plausibility of the general Government deficit forecast for 2022 (-4.8 points of GDP).

The High Council notes that the structural balance presented would be - 3.7 points of GDP in 2022, using the potential GDP assumption of the January 2018 programming law (LPFP). The structural balance would then be 2.9 points worse than that forecast in the LPFP in 2022, which is a significant deviation in the terms of the 2012 organic law. Nevertheless, in spring 2020, the High Council considered that the very special economic conditions resulting from the health crisis had been met to trigger the exceptional circumstances clause, and considers that deviations from the planned path in 2022 can still be justified.

The High Council recalls that the LPFP is an outdated reference for assessing the public finance trajectory. The Government's latest estimate of potential growth, revised to

take account of the consequences of the health crisis, leads to a worse structural balance, reaching -4.7 points of GDP, which is a deviation of more than 4 points from the medium-term budgetary objective (MTO) that France had set itself in the LPFP.

The High Council notes that the ratio of public spending to GDP would be nearly two points higher in 2022 than in 2019 (even before taking on board the investment plan and the new active measure for young people), despite the clear rebound in activity and the extinction of most of the spending incurred in response to the health crisis. In addition, the tax relief measures of recent years are expected to have a lasting impact on revenues.

Faced with an increased public debt (114 points of GDP in 2022, 17 points more than in 2019), the High Council stresses that the medium-term sustainability of public finances calls for the utmost vigilance. In this context, it will be important that any additional revenue exceeding forecasts is devoted to debt reduction.