Haut Conseil des Finances Publiques

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On the budget bill and the social security financing bill for the year 2019

19 September 2018

On 15 September 2018, the Government referred to the High Council of public finance its macroeconomic forecasts and information on public finances, on which are based the budget bill and the social security financing bill for the year 2018. After its deliberations, the High Council delivered the following opinion on 19 September 2018.

Main conclusions

The High Council of Public Finance considers that a growth of 1.6% - 1.7% for 2018 is likely and that the Government's forecast – 1.7% - is therefore credible. Moreover, the growth forecast of 1.7% for 2019 is deemed plausible. However, the international context in which it takes place bears high uncertainties.

The High Council considers that the forecasts of employment and private wage bill for 2018 are consistent with the information available as of today and that the forecasts for 2019 are plausible. It is of the opinion that the inflation forecasts for 2018 and 2019 are reasonable.

For 2018 and 2019, the High Council notes that the forecasts of compulsory levies are realistic given the selected macroeconomic scenario. It observes that the forecast of the evolution of public expenditure, which implies restraint measures from public administrations, is achievable.

Overall, the High Council considers that the forecast of nominal public deficit for 2018 and 2019 (respectively 2.6 and 2.8 points of GDP) is plausible.

The High Council notes that there is no major gap between forecasts of structural budget balance associated to the budget bill for 2019 and the path planned by the public finance programming law for 2018 to 2022.

It underlines however that the structural adjustments planned for 2018 (0.1% of GDP) and 2019 (0.3% of GDP), which will be submitted to the European Commission, are not compliant with the rules of the "preventive arm" of the Stability and Growth Pact. In its opinion regarding the public finance programming law of January 2018, the High Council had already pointed out that the planned path of public finances was moving away from France's European commitments.

Furthermore, the High Council notes that the structural adjustment presented for 2019 benefits from the fact that the raise of the fifth down payment of the corporate tax, limited to 2019 fiscal year, was not taken into account as a one-off measure. This questionable choice improves the structural adjustment presented by the Government by nearly 0.1 point of GDP in 2019.

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The nominal deficit is likely to remain close to 3.3% of GDP by 2019. Once the impact of the transformation of Competitiveness and Employment Tax Credit into cuts in social contributions is taken out, the deficit would fell sharply between 2017 and 2019. Nonetheless, more than half of its reduction is of cyclical nature because of an anticipated growth superior to the potential growth at this time.

The French structural deficit remains at a high level. It would only decline slowly regarding European rules and France would not yet have begun the reduction path of its GDP to debt ratio, as opposed to almost all of the European countries.

The High Council underlines that this ongoing situation is likely to leave little or fiscal policy stimulus in case of recession