

**Opinion n° HCFP-2019-2
on the general government structural balance presented in the budget
settlement bill for 2018**

9 May 2019

In accordance with article 23 of the organic law of 17 December 2012 on public finance programming and governance, the High Council of Public Finance issues an opinion on the compliance of the general government structural balance presented in the budget settlement bill for 2018 with the multi-year targets.

Caveat

The High Council's opinion presented in the budget settlement bill covers the structural balance, which is calculated on the basis of INSEE's GDP estimates. The progressive advancement of the timetable of the settlement bill, in order to facilitate Parliament's evaluation work, leads this year to take into account estimates that may be modified on 17 May, following the High Council's opinion, when INSEE will publish the first results of the 2018 annual accounts. Possible changes could have consequences on the assessment of the structural deficit .

The High Council therefore observes that the adopted timetable leads to the formulation of an opinion on the basis of data which could be subject to modification in the very short term and, as a result, be different from those available during the debate in the Parliament.

Summary

With the caveat on the estimation of GDP, the High Council notes that the estimated structural deficit for 2018 is identical to the one contained in the January 2018 programming law and that there is therefore no need to trigger the correction mechanism set out in Article 23 of the Organic Law.

On the basis of the potential growth assumed in the Programming Law for 2018-2022 and current growth estimates, the structural deficit is reduced by 0.2 percentage point of GDP in 2018. The structural effort, which aims to measure the share of this improvement resulting from government action, is also 0.2 point. This change is the result of two opposing effects: an expenditure effort of 0.4 point and a 0.2 point reduction in compulsory levies.

Excluding the impact of Areva's recapitalization in 2017, expenditure effort would be zero in 2017 (compared with -0.2 point) and +0.2 point in 2018 (compared with +0.4 point), which would reduce structural adjustment and effort in 2018 to zero.

The High Council points out that, while the reduction in the structural deficit in 2018 is in line with the trajectory set out in the Programming Law, the structural balance (-2.1 points of GDP) remains well below the medium term objective (-0.4 point of GDP) defined in that text.