

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

4 June 2019

The High Council of Public Finance updates the opinion issued on 15 May.

In accordance with Article 23 of Organic Law No. 2012-1403 of 17 December 2012 on the programming and governance of public finances, the High Council has to deliver an opinion on the compliance of the general government structural balance presented in the budget settlement bill for 2018 (PLR) with the multi-year targets.

The computation of the structural balance depends on Insee's GDP estimates. The opinion released on 15 May was prepared on the basis of provisional data available in April. In its caveat, the High Council pointed out the risk of a change in these data and, as a consequence, of the assessment of the structural deficit in the very short term.

The publication, on 16 May 2019, of the first results of 2018 annual national accounts effectively led to an update of the deficit assessment by the Government. This updated opinion takes into account this new information, which is not expected to change before one year.

This update of the opinion released on 15 May 2019 is intended to inform Parliament during the vote on the budget settlement bill. It brings the HCFP's opinion in coherence with the updated data in the introductory article of the PLR sent to Parliament by amendment.

Summary

The High Council notes that the estimated structural deficit for 2018 is close 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 0.1 percentage point of GDP in 2018. The structural effort, which aims to measure the share of this improvement resulting from public policy action, is also 0.1 percentage point. This change is the result of two opposing effects: a 0.3 point increase in expenditure effort 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 (instead of -0.2 point) and 0.1 point in 2018 (instead of 0.3 point), resulting in a slightly negative structural adjustment and effort in 2018 (-0.1 point).

The High Council points out that, while the reduction in the structural deficit in 2018 is close to the path set out in the Programming Law, the structural balance (-2.3 points of GDP) remains well below the medium-term objective (-0.4 percentage point of GDP) defined in that text.