

**Opinion n° HCFP-2021-1
on the general government structural balance presented in the budget
settlement bill for 2020**

12 April 2021

1. The Government referred to the High Council of Public Finance on 7 April 2021, pursuant to Article 23 of Organic Law No. 2012-1403 of 17 December 2012 relating to the programming and governance of public finances, in order to assess whether the multi-year structural balance objectives are being met in 2020. The High Council, after deliberating on this matter at its meeting of 12 April 2021, adopted the present opinion.

Summary

The High Council notes that the health crisis has led to unusual developments in public finances. This situation has led the High Council to consider, in its opinion on the first amending budget bill for 2020, that the exceptional circumstances mentioned in article 3 of the Treaty on Stability, Coordination and Governance (TSCG) have been met.

While these developments have made the public finance programming law in force - and in particular the estimate of potential GDP it includes - obsolete, this law remains the reference on which the High Council must, according to the terms of the organic law of December 2012, base this present opinion.

The High Council notes that, for a given potential GDP, these developments lead to a more conventional and debatable breakdown than usual of the public balance between its exceptional and temporary, structural and cyclical components.

In this respect, the High Council notes that the calculation methods for the one-off and temporary measures adopted by the Government lead to an improvement in the structural balance in 2020, in contrast to the very sharp deterioration in public finances that is expected to be persistent.

The High Council notes, however, that the structural deficits submitted by the Government for an opinion under Article 23 of the Organic Law, estimated at 2.3 and 0.9 points of GDP for 2019 and 2020 respectively, do not deviate significantly from the Public Finance Programming Law (LFPF) of January 2018, which forecast them at 1.9 and 1.6 points of GDP respectively. There is therefore no need to trigger the correction mechanism provided for in this article of the organic law.