

Opinion n° HCFP-2021-5

on the second amending budget bill for 2021 and on the revised budget bill
and social security financing bill for the year 2022

29 October 2021

Summary

The Government has changed its macroeconomic and public finance forecasts for 2021 and 2022. This scenario takes notably into account significant new measures that were not included in the budget bill when it was introduced. The Government has therefore referred to the High Council the revised 2022 budget bill at the same time as it referred the second amending budget bill for 2021.

The High Council welcomes this new referral, that it called for in light of the macroeconomic and public finance scenario presented in the previous referral, and which allows for a more informed opinion on the 2022 budget bill (PLF).

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For 2021, the High Council considers that the Government's growth forecast (+6¼ %), revised upwards by a quarter of a point compared to the initial PLF for 2022, should be exceeded, in view of the much better-than-expected results of the quarterly accounts for the third quarter that were released after the referral. For 2022, the growth assumption (+4.0 %), unchanged from the initial PLF, remains plausible. The new developments since September - new measures to support purchasing power and investment and the deterioration of the international economic environment - work in opposite directions.

The High Council considers the Government's inflation forecast for 2021 to be plausible, but the forecast for 2022, which is unchanged despite the rise in energy prices and the marked improvement in the labour market since the initial PLF, seems too low. The employment and wage bill forecasts for 2021 and 2022, although revised upwards, also remain cautious in the light of the most recent data.

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The High Council considers that the Government deficit for 2021 presented in the amending budget bill (PLFR) could be slightly lower than forecast, notably due to an underestimation of the revenues based on the wage bill. For 2022, the dynamics of employment and of the wage bill also suggest higher public revenues, but the degree of uncertainty surrounding the expenditure forecast is important given the significant movements in new public spending. Their timing, pace and amounts remain to be specified at this stage. Overall, on the basis of the available information, the Government deficit forecast for 2022 can nevertheless be considered plausible.

The structural balance presented by the Government for 2022 would be -4.0 points of GDP by applying the potential GDP assumption of the current programming law (LPPF), and would thus be 3.2 points lower than that set out in this law, that is a significant deviation as defined by the organic law of December 2012. Nevertheless, the High Council considers that the exceptional circumstances clause, triggered in spring 2020, may still justify deviations from the programmed path in 2022.

However, the current LPFP is an outdated reference for assessing the public finance trajectory. The structural balance calculated on the basis of the Government's latest estimate of potential growth, revised to take account of the consequences of the health crisis, stands at -5.0 points of GDP, which is a deviation of more than 4 points from the medium-term budgetary objective (MTO) for public finances that France has set to itself in the LPFP and a deterioration of 2.5 points in the structural balance compared with 2019.

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The High Council notes that the decline in the debt ratio for 2022 in the revised PLF compared to the initial draft is stronger than expected (-1.8 points to 113.5 points of GDP, instead of -1.5 points). However, this decrease is not the result of a reduction in the general Government deficit but of Government cash management operations.

The High Council notes that, contrary to what it had advised in its opinion of 17 September 2021, the expected increase in revenue is not devoted to public debt reduction, but is, on the contrary, more than offset by increased spending or tax relief measures. It stresses once again that the medium-term sustainability of the public debt, forecast to increase by 16 points of GDP in 2022 compared to 2019, calls for the utmost vigilance.