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Opinion No HCFP - 2025 - 3

on the annual progress report 2025 of the national medium-term fiscal-structural plan for the years 2025-2029

15 April 2025

Executive summary

As part of the new European governance adopted in April 2024, Member States submit to the European Commission by April 30 an annual progress report of their medium-term fiscal-structural plan (MTP), which aims to put public debt on a sustainable trajectory. For France, the MTP was validated by the Council on January 21, 2025. Compared with the initial plan, on which the High Council had given its opinion on October 9, 2024, the MTP expenditure trajectory, which serves as the reference, was rectified in January 2025 in line with the amendments to the draft budget bill.

The annual progress report differs from previous Stability Programmes as, in the spirit of the European legislator, it is intended as a follow-up report to the MTP. As a result, it may cover only past and current years. Indeed, in the draft the High Council was referred to, the Government has included projections for future years (2026-29), but the degree of detail is limited. Nevertheless, while Stability Programmes **de facto** ***endorsed observed deviations, thus lacking credibility, net expenditure growth targets, which are at the heart of the MTP's commitment, remain fixed throughout the programming period.***

The High Council welcomes the Government's decision to request its advice on the annual progress report, just as it hailed being referred the initial MTP last October. However, this welcome decision was coupled with a deterioration in the conditions under which it was referred to, marked by last-minute schedule changes and extremely tight deadlines, weakening the proper organization of the High Council's deliberations and the exercise of its mandate.

The High Council notes that the international macroeconomic environment is marked by considerable uncertainty, due in particular to the American administration's protectionist initiatives and growing geopolitical uncertainties.

Taking into account the situation to date, the High Council considers that the GDP growth forecast for 2025 (+0.7%), which the Government lowered by 0.2 point compared with the draft budget law (PLF) 2025 amended in January, is not out of reach despite the accumulation of downside risks. This forecast is in line with that presented by some organizations, but exceeds that put forward by others and the consensus of economists. It would be weakened by the materialization of the risks weighing on the international environment in particular.

The inflation forecast for 2025, maintained at +1.4%, remains slightly high, particularly in light of the fall in oil prices and the appreciation of the euro observed recently, which exceed the assumptions made by the Government. The wage bill growth forecast for the nonfarm market sector (+1.9%), though revised downwards, also remains slightly high. While the employment forecast is plausible, that for average wages per head assumes an acceleration compared with recent quarters, which is not the most likely assumption in view of disinflation and the current labor market situation.

The economic scenario presented for the years 2026 to 2029 is limited to a forecast of growth and potential GDP. The growth assumption for 2026 (+1.2%, 0.2 point lower than in the MTP) implies that international uncertainties recede and that the budgetary adjustment has a limited impact on activity. Given the adjustment considered, this forecast requires an acceleration in private domestic demand, the scale of which is far from guaranteed. The potential GDP scenario, unchanged from the MTP, is reasonable, on condition that economic policy does enable a recovery in productivity gains and a continued rise in the employment rate.

The revenue forecast for 2025 takes into account the significant contribution of mandatory levies increases, *some deemed temporary, introduced this year for a total of €23 bn (or 0.8* ***point of GDP), a figure revised slightly downwards. Excluding these measures, the High Council notes that the forecast for spontaneous growth in compulsory levies is broadly consistent with economic forecasts, and therefore slightly high like the latter. The High Council also notes that the safety margin included in the yield forecast for certain levies in the amended January PLF has been abandoned, thus directly exposing this forecast to the materialization of macroeconomic risks or further downward surprises.***

In terms of expenditure, the Government is forecasting a 1.3% rise in volume in 2025, lower than in 2024 but still not enough to reduce the weight of public expenditure in GDP. The savings effort, strictly speaking, falls almost entirely on the State and would be increased for the latter by additional freezing measures. The inadequacy of mechanisms for steering public expenditure as a whole weakens the outturn forecast.

Overall, given the current state of cyclical information, and taking into account a slightly less deteriorated outturn in 2024 than expected in January (deficit of 5.8 points of GDP in 2024 instead of 6.0 points), the High Council considers that the public deficit forecast for 2025 (5.4 points of GDP) can be met, but this is far from being secured yet. This requires strict control of expenditure directly steered by the State and social expenditure, and confirmation of the recent slowdown in local authorities' expenditure. The margins of safety and the capacity to react in the event of another unfavorable shock appear very limited. Moreover, public debt is set to rise by a further 3 points of GDP in 2025.

With regard to compliance with the MTP trajectory, the High Council notes that net expenditure growth, expressed in current euros, would be slightly higher in 2025 than required (+0.9% versus a cap of +0.8%). The Government should strictly respect the annual growth limit in 2025. By allowing itself a slight overrun, it is reducing its precautionary margin with regard to the new rules.

The trajectory of public finances beyond 2025, which is only sketched out in the documents presented, remains to be specified and made credible. The recovery effort considered is a reduction in the primary structural deficit of 0.9 points of GDP in 2026, then of around 0.7 points of GDP per year thereafter. Such an adjustment, which would only enable the debt to be reduced from 2028 onwards after a new high point of 118 points of GDP in 2027, is nevertheless imperative to restore public finances, control public debt and meet France's European commitments, in particular the return of the deficit to below 3 points of GDP in 2029, of which the High Council reiterates the imperative need. Once again, the High Council stresses that this necessary deficit reduction requires a coherent and credible strategy for reducing the weight of public expenditure in GDP, and for the evolution of compulsory levies.

Introductory remarks

1- On the scope of the following opinion

1. The Government referred to the High Council of Public Finance the macroeconomic and public finance forecasts on which the 2025 annual progress report on France's medium-term fiscal-structural plan (MTP) for the years 2025 to 2029 is based. The Government requests its opinion "*in particular on the realism of these forecasts for 2025 and their conformity with the net expenditure trajectory set by the European Council on January 21, 2025.*"

2. As part of the new European governance adopted in April 2024, Member States submit to the European Commission and make public by April 30 an annual progress report on their medium-term fiscal-structural plan (MTP), which aims to put public debt on a sustainable trajectory. For France, the MTP was validated at the European level by the European Council on January 21, 2025. Compared with the initial MTP, on which the High Council gave its opinion on October 9, 2024, the expenditure trajectory of the MTP referred to was corrected in January 2025, in line with the amendments to the draft budget bill.

3. While the Stability Programmes *de facto* endorsed the deviations observed, thus losing credibility, net expenditure growth targets, at the heart of the MTP's commitment, remain fixed throughout the programming period. Annual progress reports are the monitoring documents for this commitment, at least for past and current years.

4. Article 23 of the Regulation (EU) 2024/1263 on the effective coordination of economic policies and on multilateral budgetary surveillance states that "*Member States may request the relevant independent fiscal institution (...) to provide an assessment of the compliance of the budgetary outturns data reported in the annual progress report with the net expenditure path as set by the Council*". The regulation specifies that "*where applicable, Member States may request the relevant independent fiscal institution to analyze the factors underlying a deviation from the net expenditure path as set by the Council*".

5. **The High Council welcomes the Government's decision, in line with the action plan to improve the steering of public finances presented on March 3, to refer to it on the annual progress report of the MTP.**

2- On the information submitted and deadlines

6. The Government referred to the High Council of Public Finance the annual progress report's macroeconomic and public finance forecasts, and requested its opinion "*in particular on the realism of the forecasts for 2025 and their conformity with the net expenditure trajectory*." This referral file was accompanied by responses to a questionnaire sent to the relevant administrations beforehand.

7. The "annual progress report", an MTP monitoring document, may only cover past and current years, without any forward-looking dimension. In the draft submitted to the High Council, the Government has included projections for future years (2026-2029), but their degree of detail is very limited.

8. The Government referred to the High Council on April 9, 2025, in order to issue an opinion on April 16. The referral file of the High Council, initially scheduled for Monday April 7, was postponed by two days at the last minute, admittedly in a highly uncertain international geopolitical context. This decision affected the proper organization of the High Council's deliberations. It also effectively shortened the deadline for examining the text by one day: although the referral file mentioned a date for transmitting the opinion on April 16, the transmission was in fact expected on April 15, in view of the Council of Ministers meeting the following day.

9. **The conditions under which matters are referred to the High Council have deteriorated, marked by last-minute changes to the timetable affecting the proper organization of the High Council's deliberations and weakening the exercise of its mandate.**

3- On the High Council's methodology

10. In order to assess the realism of the macroeconomic and public finance forecasts associated with the annual progress report of the MTP, the High Council has drawn on the latest available statistics as well as on information provided by the Government.

11. The High Council also drew on the latest forecasts produced by a number of organizations: the European Commission, the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the European Central Bank (ECB), the French National Institute of Statistics and Economic Studies (INSEE), the Banque de France and economic research institutes such as Rexecode and the French Economic Observatory (OFCE).

12. The High Council held a hearing with representatives of the Treasury Department, the Budget Department. It also held a hearing with external bodies (INSEE, Banque de France, Rexecode, OFCE) on the outlook for the French economy.

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13. The High Council first gives its assessment of the macroeconomic forecasts (I), followed by its assessment of the public finance forecasts (II), and finally of France's compliance with its European commitments (III).

1. Comments on the macroeconomic forecasts

1- The international context

14. Since the start of 2025, the global economy has been evolving in a climate of growing uncertainty linked to the trade policy of the new American administration. This uncertainty has been exacerbated by the successive tariff announcements of the first half of April, which render the economic forecasts published before April 2 partially obsolete, even though they were already based on assumptions of increases in U.S. tariffs and associated countermeasures.

15. Up to the end of 2024, American activity was growing at a sustained pace (2.8% in 2024), well above that of the eurozone (0.9%). Eurozone countries show contrasting trajectories: since 2022, Germany has stagnated at its pre-health-crisis level of activity, penalized by rising energy costs and increased competition from China, while Spain maintains

its dynamism (3.2% growth in 2024), supported by reduced dependence on hydrocarbons, European funding and demographic factors. China, for its part, recorded its weakest growth since 1990 excluding the pandemic (5.0%) in 2024, due to the atony of domestic demand. World trade, however, accelerated sharply (3.5% in 2024 after 1.0% in 2023), and was expected to grow at the end of 2024 at a similar rate in 2025 (+3.6%) according to the OECD's economic outlook (December 2024).

16. In early 2025, however, economic conditions began to deteriorate in the United States, due to the uncertainty generated by the new U.S. administration. In Europe, announcements concerning defense expenditure, notably by Germany, were accompanied by a rise in sovereign interest rates, which attenuated the effects of the monetary easing initiated by the ECB in June 2024. The price of oil, the sole supporting factor at the international level, fell back at the end of January and again in February, as the increases in U.S. tariffs, whether decided or announced, clouded the outlook for world trade.

17. The effects of the U.S. administration's tariff measures on the global economy are difficult to assess. The scale and timing of the increases that will ultimately be introduced, their targeting and possible retaliatory measures are difficult to predict. The *ex-ante* assessments available on the subject reflect the wide range of possibilities. Nevertheless, these measures should result in a decline in U.S. imports, and more broadly in trade[1]. A notable element of uncertainty lies in the speed of the effects, which differ greatly depending on the study: some present a maximum impact in the very short term, while others point to gradual effects.

2- The Government's scenario

18. According to the Government's macroeconomic framework: "*Compared with the revised January PLF scenario, the growth forecast for 2025 has been revised downwards to +0.7% (-0.2 pts) reflecting the deterioration in the international environment*."

19. More specifically, the international scenario, which had been finalized on February 21 and published in mid-March[2], could not be fully updated to take account of developments following the U.S. administration's announcements on April 2, nor, *a fortiori*, their partial and temporary interruption announced on April 9 for the majority of countries, nor the current tariff escalation with China.

20. However, the economic forecasts for France incorporate "*the impact of the high degree of uncertainty weighing on the dynamics of international trade, using a scenario of rising customs duties, evaluated with the Oxford Economics multi-country model. This scenario takes into account all U.S. tariff increases announced up to and including April 2, and maintained at least until the end of the year, and assumes that the targeted countries would implement countermeasures of equivalent magnitude as early as the second quarter of 2025. The effect on French growth in 2025 is estimated at -0.3 pts, part of which had already been included in the forecast underlying the revised PLF*."

[1] In its March 18, 2025 Economic Outlook, in the box on the impact of the new U.S. tariffs on world trade (pages 82 and 83), INSEE puts the decline in world trade at 2% due to the 20% drop in U.S. imports alone, and at 4% taking into account all the drops in imports worldwide generated by the retaliatory measures.
[2] "Global outlook Spring 2025: Growth in the face of turbulence", Trésor-Éco No 361, March 20, 2025, Treasury Department.

21. The price of a barrel of oil is assumed to have stabilized at 76 USD, and the euro at 1.04 USD. Significant volatility is currently affecting prices. Recently, the price of oil has fallen below this assumption, and the euro has appreciated against the dollar.

22. In terms of the composition of growth, activity *"would remain mainly supported by household consumption [...]. Both household and business investment would weigh less on growth than in 2024, but would still contract slightly. [...]. Exports and imports would be penalized by higher tariffs [...]. The contribution of foreign trade to growth would be zero. [...] Public demand would grow at a lower rate than its trend, due to budgetary adjustment efforts."*

23. *The inflation forecast for 2025 remains unchanged: "Inflation would reach an annual average of 1.4%. It would be driven mainly by service prices, with wages adjusting belatedly to past inflation. Energy prices would fall, due in particular to the sharp cut in regulated electricity tariffs in February."*

24. Finally, the Government expects gains in purchasing power for wages and a decline in salaried employment: *"Wages are expected to rise sharply in real terms, driven by a significant and gradual increase in productivity gains. The decline in market employment, after the strong dynamism of 2021-2023, follows the slowdown in activity. However, total employment is expected to remain stable, with the creation of non-salaried jobs offsetting the destruction of salaried ones."*

3- Assessment of the High Council on the macroeconomic scenario

25. The High Council successively analyses the Government's forecasts for growth in activity, inflation, employment and wage bill of the private sector in 2025, then the few elements presented beyond 2025.

a. GDP growth in 2025

26. The direct and indirect impact of tariff measures is highly uncertain, but in view of the assessments presented or carried out by other organizations, the order of magnitude of the effects estimated by the Government on growth in 2025 (-0.3 points of GDP)[3] seems plausible - or even a little high, taking into account the fact that the April 9 announcements have largely mitigated those of April 2 - and this, despite the additional uncertainties brought about by the escalation between the United States and China.

[3] The effect on France's GDP is estimated at -0.3 pts of GDP in 2025, including indirect effects (effects linked to trade with other countries, uncertainty effects, feedback with financial markets). This impact breaks down into -0.1 pts linked to U.S. measures on imports from the European Union, -0.1 pts linked to the European Union countermeasures, and just over -0.1 pts linked to measures and countermeasures between the U.S. and third countries. The impact would be felt mainly by exports and companies' investment. An impact of -0.1 pts had already been implicitly taken into account in the PLF scenario amended in January.

Impact of the U.S. tariff policy on economic forecasts

Following the **U.S.** elections in early November 2024, various estimates have sought to quantify the impact of raising tariffs on forecasts. The potential effects estimated vary according to the targeting, scale, transitory or lasting nature of the measures, their implementation timetable which also affects the build-up of expected effects, as well as possible aftershocks.

There are many channels of transmission. In the short term, the main channel is a reduction in American imports, and hence in demand from countries facing higher tariffs, leading to a fall in their exports. Additional effects also come into play, depending on competitiveness gains or losses induced by tariffs and by possible exchange rate fluctuations. Finally, the uncertainty surrounding these trade policies (pre- and post-announcement speculations, timetable for implementation, duration or postponement of measures) weighs on activity via wait-and-see investment behavior.

Overall, the estimates available to date point to a fairly contained negative effect on activity in the short term. The extent of the impact varies according to the assumptions used. It would be greater in the eurozone (growth loss varying between 0.2 and 0.3 points of GDP) than in France (growth loss of 0.1 to 0.2 points of GDP in 2025), due to its lesser exposure to the American market. The effect of tariff policies on inflation, mobilizing more channels, notably the exchange rate, is more ambiguous, including with regard to the sign of the effect.

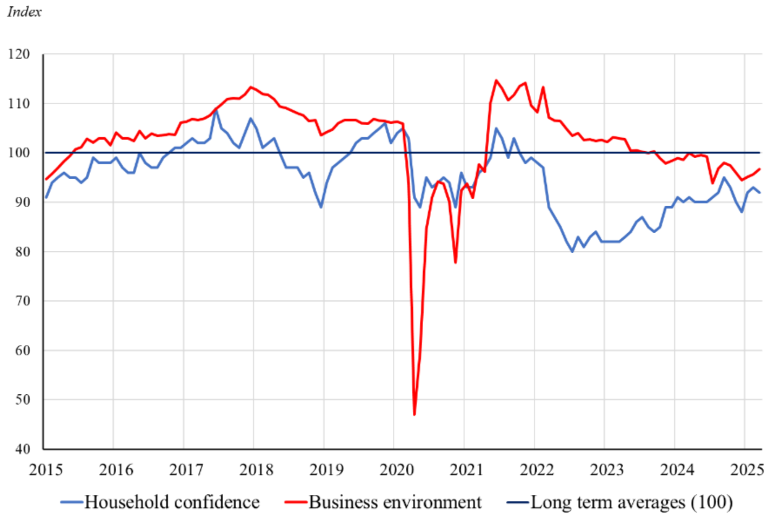
Table 1: Estimates provided by organizations and economic research institutes interviewed by the High Council

	Type of impact	Effects
INSEE	United States tariffs raised by +25% on Mexico and Canada, +20% on their main partners (including China and the European Union), with retaliatory measures	On world trade: In the short term: -0.1% in Q1 2025, -0.4% in Q2 2025 In the long term: Total effect of −4%
OFCE	+10% average tariffs on American imports from France	-0.6 % on French exports after 10 quarters, corresponding to -0.2 % on France's GDP
Rexecode	+10 points in tariffs on American imports excluding raw materials, combined with a reciprocity measure of the same magnitude	-0.3% on global GDP within 3 years, -0.2% on the eurozone GDP
Banque de France	Uncertainty heightened by tariff measures announced by the American administration	On France's GDP: at -0.1 point for 2025.
	+25 points of tariffs on imports from the rest of the world, with and without retaliatory measures	On the GDP of the eurozone: -0.2% at 1 year without measures (-0.15 % with measures) -0.3% at 3 years without measures (-0.4% with measures)

Sources: Banque de France, INSEE, OFCE, Rexecode

27. Consumer and business surveys suggest a slight improvement compared to the end of 2024, which was marked by high political uncertainty at national level, which has not completely disappeared but has eased. INSEE's synthetic business climate indicator improved slightly between December 2024 and March 2025, but remains below its long-term average. The employment climate also remains mediocre in the short term. The household confidence indicator has been improving slowly over the past two years, but also remains below its long-term average.

Figure 1: Business climate and household confidence indicators in France



Source: INSEE

28. Cyclical indicators thus suggest sluggish growth in the first quarter of 2025, estimated by most of the organizations interviewed by the High Council at 0.1-0.2%. The Government's forecast of 0.7% growth in 2025 implies an average quarterly growth rate of around 0.2% over the course of 2025, meaning a rate slightly below potential growth and similar to that observed on average since mid-2023, despite uncertainties in the global environment and the effect of budgetary adjustment measures.

29. A growth forecast of 0.7% for 2025 was central to the scenarios carried out in March, but is now towards the upper end of the forecast range. As the international situation is highly fluid, forecasts have been adjusted frequently in recent weeks, and will no doubt continue to be so as developments unfold[4]. The growth forecast of +0.7% is now slightly higher than that of the consensus of economists, and exceeds more than two-thirds of the forecasts included in this consensus. It is similar to that of the Banque de France, made in March on the basis of a limited short-term impact of the tariff and uncertainty shock, and higher than those finalized more recently by the OFCE or Rexecode.

30. In view of these findings, while the revision compared to the forecast in the amended PLF (-0.2 points) is plausible given the current state of information, the Government's growth forecast, which is achievable, retains, like that in the amended PLF[5], a slightly optimistic outlook.

[4] The consensus of economists of April, which is at +0.6% for growth in 2025, corresponds to forecasts gathered up until April 7, a date (between April 2 and 9) when outlooks could have seemed particularly deteriorated. However, it likely includes forecasts that were significantly updated to reflect the announcements of April 2, as well as others that had not yet been updated.

[5] Opinion n° HCFP – 2025 – 1 on the amendment of the draft budget and social security financing bills for the year 2025, of January 29, 2025

Table 2: GDP growth forecasts for France in 2025

	Publication date	**2025**
Consensus Forecasts	10 April 2025	0.6
Government – annual progress report	**9 April 2025**	**0.7**
OFCE	9 April 2025	0.5
Rexecode	19 March	0.6
INSEE	18 March	0.4*
OECD	17 March	0.8
Banque de France	12 March	0.7
Consensus Forecasts	10 March	0.7
Government – amended PLF	**22 January 2025**	**0.9**
IMF	17 January 2025	0.8
European Commission	15 November 2024	0.8
Government – initial PLF and MTP	**10 et 23 October 2024**	**1.1**

**: carry-over for 2025 at the end of the second quarter.*
Sources: referral from the Government, forecasts by economic analysis organizations and institutes

31. In the Government's scenario, growth is driven by domestic demand excluding stocks, and in particular household consumption. The latter would grow by 1.2% in 2025, more than in the amended PLF scenario (1.1%), due in particular to a fairly strong increase at the end of 2024; meaning more than the increase in purchasing power in 2025 (0.8%). This would mark a slight drop in the savings rate, to 17.9% from 18.2% in 2024, although it would still be significantly higher than its pre-health crisis average (14.6% over 2010-2019). These trends are plausible, given the gains in purchasing power also recorded last year and the ongoing rebalancing between income components, but the rise in consumption on which the Government is counting still seems slightly optimistic in view of the most recent indicators and the possible concerns of households in the current climate.

32. The Government's scenario implies an export growth of 1.4%, an import growth of 1.3% and a zero contribution (0.0 pt) from foreign trade to growth, revised by -0.1 pts compared to the amended PLF scenario, in the context of higher tariffs. It is also based on a decline in investment by non-financial companies (-0.8%), in the context of high uncertainty; on near-stabilization of household investment (-0.3% after -6.0% in 2024), reflecting in particular the slight upturn in housing starts; and on an increase in public demand in volume terms, in particular public consumption (+0.9%), revised upwards compared to the amended PLF.

33. **The High Council, taking into account the situation to date, considers that the GDP growth forecast for 2025 (+0.7%), which the Government has lowered by 0.2 points compared to the PLF 2025 amended in January, is not out of reach despite the accumulation of downside risks. This forecast is in line with that presented by some organizations, but exceeds that put forward by others, as well as that of the consensus of economists. It may be weakened by the materialization of risks, particularly those weighing on the international environment.**

b. Inflation

34. The inflation forecast for 2025 is maintained at +1.4%. It was considered a little high in the opinion on the PLF for 2025. It is slightly higher than that of most organizations and the consensus of economists.

35. Inflation in services, now the main contributor to rising price levels, is on a downward trend. The trend in the price of services reflects the pass-through of past wages increases which have also slowed.

36. The Government's forecast does not include the effect of European retaliatory measures on tariffs, as these have not yet stabilized and are limited in scope. This implies a slight upward risk to inflation.

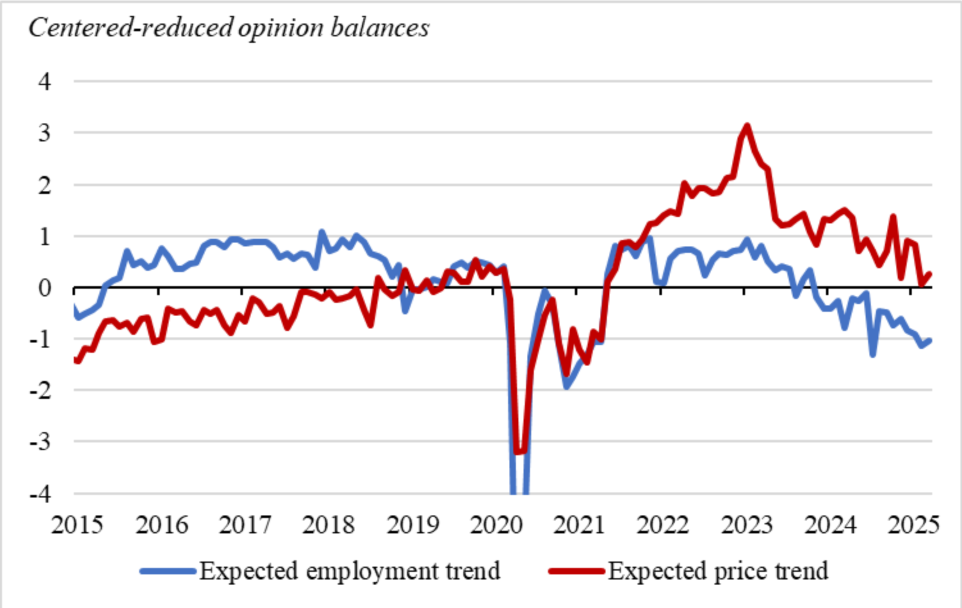
37. On the contrary, the forecast is based on other assumptions which, in the light of recent developments, push it upwards. Oil prices have fallen sharply, currently standing at around USD 64 per barrel, compared with the Government's assumption of USD 76. The fall in energy prices, already initiated by the drop in electricity prices in February, could therefore be more marked than in the Government's scenario. Furthermore, the euro has recently appreciated compared to the assumptions used by the Government, making imports less expensive.

Table 3: Inflation forecasts (CPI index) in France (%, annual average)

	Publication date	2025
Government	**9 April**	**1.4**
Consensus Forecasts	10 April	1.3
OFCE	9 April	1.3
Rexecode	8 April	1.1
Banque de France	12 March	1.5

Sources: referral from the Government, forecasts by economic analysis organizations and institutes

Figure 2: Expected trends in employment and sales prices across all services



Sources: INSEE, Economic Outlooks in services

38. Overall, the assumptions used in the Government's forecast lead to a slightly high forecast in light of the most recent information.

39. **The inflation forecast for 2025 (maintained at +1.4%) remains slightly high, given the slowdown in service prices, and the fall in oil prices and the appreciation of the euro observed recently, which go beyond the assumptions retained by the Government.**

c. Wage bill

40. The wage bill forecast for the nonfarm market sector is set at +1.9%. It has been significantly revised downwards from a +2.5% forecast in the amended PLF in January, which the High Council had deemed somewhat optimistic. Still, the new forecast remains slightly high.

41. The new forecast takes into account the fact that, due in particular to job losses in the private sector at the end of the year, the wage bill was less dynamic in 2024 (+2.7%) than the Government's last forecast (+3.0%), resulting in a less favorable carryover for 2025.

42. In the considered scenario, job losses would continue in 2025 at a moderate pace. In fact, according to the most recent business surveys, companies' hiring intentions are down. Furthermore, the use of apprenticeships, one of the drivers of job creation since the early 2020s, is likely to be curbed by measures increasing their cost. Overall, the forecasted decline in employment (-0.4% in nonfarm market sector) is plausible.

43. Growth in average wage per head in the nonfarm market sector is revised slightly downwards, by -0.3 pts compared with the PLF, to reach +2.4%. This revision marks only a moderate slowdown in average wage (+2.6% in 2024), while the fall in inflation is likely to be much more marked. Moreover, with a carryover of only +0.7% at the end of 2024, the forecast implies an acceleration in wages over the course of the year, which, despite recent productivity gains, is not the most likely hypothesis, particularly given the state of the labor market. The average wage per head growth forecast therefore seems slightly high.

44. **The forecast for wage bill growth in the nonfarm market sector (+1.9%), although revised downwards, remains slightly high. While the employment forecast is plausible, that for average wage per head implies an acceleration compared with the last quarters, which is not the most likely hypothesis in light of disinflation and the current labor market conditions.**

d. Prospects for 2026-2029

45. Administrations have provided the High Council with information on the Government's multi-year macroeconomic scenario up to 2029 (Table 5), on which the Government did not formally referred to the High Council. The composition of growth has not been detailed.

46. The Government's estimate of potential growth for the period 2024-2029 is 1.2% per year (1.0% in 2029), unchanged from the one set in the MTP 2025-2029 of October 2024. This estimate is at the upper end of the range of estimates used by international organizations and institutes interviewed by the High Council. It implies that reforms are maintained and continued, in particular those aimed at increasing supply on the labor market and boosting productivity in the medium term, including by benefiting from new technologies. It also implies that the changes underway in value chains as a result of new trade policies do not affect growth potential too much, if at all.

Table 4: Comparison of estimates and forecasts of potential growth and output gap for France

Potential GDP (Change in %)	2024	2025	2026	2027	2028	2029
Government (Annual progress report of the MTP 2025-2029, April 2025)	1.2	1.2	1.2	1.2	1.2	1.0
OFCE (9 April 2025)	1.2	1.2	1.2			
Banque de France (12 March 2025)	1.3	1.0	1.0	1.0		
OECD (4 Dec. 2024)	1.1	1.0	1.0			
European Commission (30 Oct. 2024)	1.2	1.1	1.0	0.8	0.6	0.6
IMF (22 Oct. 2024)	0.8	1.0	1.2	1.3	1.3	1.3
Output gap (in potential GDP point)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Government (Annual progress report of the MTP 2025-2029, April 2025)	-0.7	-1.2	-1.1	-0.9	-0.6	-0.4
OFCE (9 April 2025)	-1.3	-2.0	-2.1			
Banque de France (12 March 2025)	-0.4	-0.5	-0.3	0.0		
OECD (4 Dec. 2024)	-0.5	-0.6	-0.6			
European Commission (30 Oct. 2024)	-0.1	-0.3	0.0			
IMF (22 Oct. 2024)	-0.6	-0.6	-0.5	-0.4	-0.2	-0.1

Note: regarding OFCE forecasts, the output gap in 2025 and 2026 is deduced from the published estimate of the output gap in 2024 and from actual and potential growth forecasts for 2025 and 2026.
Sources: annual progress report of the MTP 2025-2029, OFCE, Banque de France, OECD, European Commission, IMF.

47. The output gap is estimated at -0.7 points of potential GDP in 2024, and would widen in 2025 (-1.2 points). Other available estimates[6] of the output gap suggest that the output gap would have little significance in 2024. The Government's estimate is slightly higher than that of most other organizations, but it is not the highest and remains plausible.

48. **Overall, the potential GDP scenario is reasonable under the crucial assumption that reforms favorable to growth and full employment are pursued.**

49. Compared with the MTP, actual growth is revised downwards in 2026 (by -0.2 pts), in 2027 (-0.1 pts), in 2028 (-0.1 pts) and upwards in 2029 (+0.2 pts). Growth would be at the level of the potential growth rate in 2026 (+1.2%), then slightly higher in subsequent years, in line with a gradual closing of the production gap. The still incomplete closing of the output gap in 2029 would explain an upward revision of actual growth for that year.

[6] See table. INSEE also presented estimates of the output gap in its Economic Outlook of March 18, 2025, leading it to conclude that the French economy is only slightly deviating from its potential at the end of 2024.

Table 5: Multi-year macroeconomic scenario

	2024	2025	2026	2027	2028	2029
Actual growth (in %)	1.1	0.7	1.2	1.4	1.4	1.2
Potential growth (in %)	1.2	1.2	1.2	1.2	1.2	1.0
Output gap (in pts of potential GDP)	-0.7	-1.2	-1.1	-0.9	-0.6	-0.4
Consumer price index (change in %)	2.0	1.4	1.4	1.75	1.75	1.75

Source: French Treasury

50. The Government is considering a scenario of gradual normalization of trade policies. In fact, these would have little or no negative impact from 2026 onwards. The High Council considers this a possible approach, but stresses the importance of downside risks for this trajectory. Thus, as most models of the impact of tariffs on activity show increasing impacts on the level of GDP, growth in 2026 and beyond would also be penalized if tariffs in force in 2025 were maintained, *a fortiori*, if they were raised.

51. The growth considered for 2026 is at the level of potential growth. The consistency of this assumption with the significant budgetary adjustment considered (+0.7 points of GDP and even +0.9 points of GDP in terms of primary structural balance) may be questioned. In return, the Government's forecast expects a marked acceleration in private domestic demand, not detailed in the elements presented, and a “multiplier” effect of the adjustment on the order of 2/3. Although conceivable, these assumptions, which are not elaborated in the elements provided, are far from guaranteed.

52. The growth forecast for 2026 is barely higher than that presented by other organizations that have recently updated their forecasts, and coincides with that of the Banque de France. Nevertheless, in these forecasts, the budgetary adjustment achieved is lower than the one targeted by the Government.

Table 6: GDP growth forecasts for France beyond 2025

	Publication date	2025	2026	2027	2028	2029
Consensus Forecasts	10 April 2025	0.6	1.0			
Government - annual progress report	**9 April**	**0.7**	**1.2**	**1.4**	**1.4**	**1.2**
OFCE	8 April	0.5	1.1			
Rexecode	19 March	0.6	1.0	1.4	1.2	1.0
OECD	17 March	0.8	1.0			
Banque de France	12 March	0.7	1.2	1.3		
IMF	17 January	0.8	1.1			
European Commission	15 Nov. 2024	0.8	1.4			

Source: referral from the Government, forecasts by economic analysis organizations and institutes

53. **The growth assumption for 2026 (+1.2%, reduced by 0.2 points compared to the MTP) implies that international uncertainties ease and that budgetary adjustment has little impact on activity. Given the adjustment considered, this forecast requires an acceleration in private domestic demand, the scale of which is far from guaranteed.**

2. Comments on the public finance forecasts

1- The Government's scenario

54. The Government is still counting on bringing the public deficit down to 5.4 points of GDP in 2025, after 5.8 points in 2024, a slightly less unfavorable result in 2024 than that forecast in January.

55. The framework presented by the Government focuses on the notion of net expenditure growth, which is at the heart of the MTP commitments. Thus: *"Net expenditure growth would grow by +0.9% in 2025, a level slightly above the annual maximum set by the Council (+0.8%) [...]. Cumulatively over 2024-2025, the net expenditure growth would grow by +4.2%, a level below the maximum set by the Council (+4.6%)."*

56. The Government specifies that: *"When the 2025 annual progress report is published [...], the Government will present the actions implemented to meet the public balance target set by the 2025 budget law, [...] compliance with our trajectory will be bolstered by the announcement of around €5 bn in measures aimed at containing State and Social Security expenditure."*

2 – Assessment of the High Council on public finance

a- Compulsory levies

57. Compulsory levies would rise sharply in 2025, by +3.8%, and are expected at €1,300 bn, after €1,250 bn in 2024. Almost half of this increase (€23.5 bn) would be due to new measures, including the temporary corporate tax increase, the increase in the TICFE and the overhaul of general social security contributions reductions. The yield from new measures has been revised downwards by almost €3 bn since the amended January PLF, notably because the solidarity day was dropped during the parliamentary debate. Spontaneous growth in compulsory levies is forecasted at +2.1%, in line with the forecast for nominal GDP growth. The tax-to-GDP ratio would rise to 43.5% of GDP in 2025, after 42.8% in 2024.

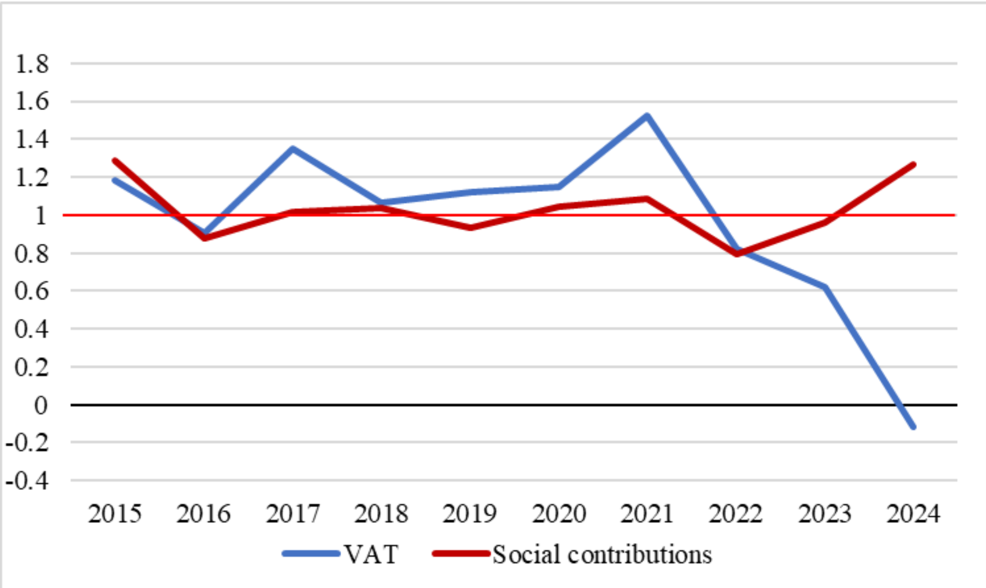
58. The forecast for spontaneous growth in compulsory levies in 2025 is broadly consistent with the underlying macroeconomic scenario. As such, it is also somewhat high, given the slightly optimistic nature of the latter, particularly in terms of inflation and the wage bill.

59. More specifically, the upward revision of the corporate income tax forecast by €2 bn, justified solely on the basis of accounting feedback on the 5th installment in 2024, may seem premature given the risks weighing on the economic scenario and the recurring difficulties in forecasting this tax, in particular the 5th installment at the end of the year (to which the temporary surtax will be added in 2025). The income tax forecast has also been revised upwards by almost €1 bn to take into account the dynamic revenues from the single flat-rate levy due to dividends paid in January, but this is likely to be offset by income being slightly less dynamic than anticipated during the year, affecting revenues from income tax withholding.

60. The VAT forecast seems fairly plausible (despite the slightly optimistic nature of the consumption forecast), but the social contributions forecast seems a little high, in line with the wage bill assumption. In addition, prudent assumptions concerning the yield of VAT and social contributions, which were present in the amended January PLF, no longer appear to have been made, as their growth is now expected to be in line with that of their respective bases. In the case of VAT, this implies a return to normal levels in refund claims from companies, which were very dynamic in 2023 and 2024, probably due to the fairly high interest rates that led companies to optimize their cash flow. In a context of monetary easing, this assumption is conceivable, but can no longer be considered as incorporating a safety prudence.

61. **The revenue forecast for 2025 takes into account the significant contribution of increases in levies, some of them deemed temporary, introduced this year for a total of €23 bn (or 0.8 points of GDP), a figure revised slightly downwards. Excluding these measures, the High Council notes that the forecast for spontaneous growth in compulsory levies is broadly consistent with economic forecasts, and therefore slightly high like the latter. The High Council also points out that the safety margin included in the yield forecast for certain levies in the amended January PLF has been abandoned, thus leaving this forecast directly exposed to the materialization of macroeconomic risks or further unpleasant surprises.**

Figure 3: Elasticity of social contributions and VAT to estimates of their respective bases.



Sources: INSEE, national accounts, HCFP

b- Public expenditure and the public balance

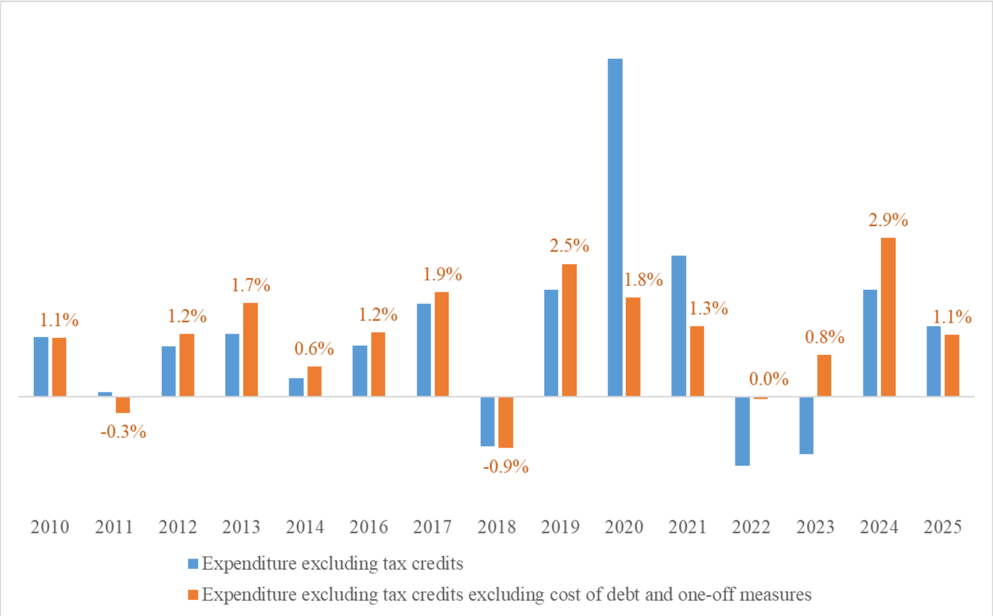
62. Public expenditure would reach €1,693 bn in 2025, up €43 bn compared to 2024, representing +2.6% in value. It would slow down, but would still grow by +1.3% in volume, making it impossible to trigger this year a decline in the ratio of public expenditure to GDP. The latter would increase by 0.3 points to reach 56.7%. Compared with the January MTP trajectory, expenditure growth in 2025 is eased by 0.1 points, although starting from a lower base in 2024.

63. Expenditure would only really be contained for the State and central government (+0.5% in volume), the effort on the latter even being reinforced by €5 bn compared with the budget law. The expected containment of Government expenditure is all the more significant given that the decline in one-off expenditure will have little impact in 2025 (for around -€2 bn, after -€19 bn in 2024 and -€26 bn in 2023), and that the cost of debt will continue to rise (+€6.2 bn).

64. Local expenditure would increase by 3.1% in value and 1.8% in volume terms, remaining at a sustained pace although marking a slowdown (volume growth of 2.8% in 2024 and 2.3% in 2023). This slowdown appears possible, although not guaranteed, in the absence of a binding mechanism to cap these expenditures.

65. In the case of social expenditure, the slowdown in inflation in 2024 would reduce the increase in social benefits, so that expenditure growth in volume terms is expected at 1.6%, compared with 3.6% in 2024. A €1.1 bn reserve has been put in place to ensure that the health insurance target is met, but the savings underlying the Ondam trajectory have not been fully documented. Overall, it is possible to meet the projected growth in social expenditure, but this will require a strict control effort, especially as it is undermined by upward risks associated with the deterioration of the labor market.

Figure 4: Change in volume of public expenditure (in blue) and public expenditure excluding one-off expenditure and cost of debt (in red)



Note: the data labels correspond to expenditure excluding one-off expenditure and cost of debt.

Sources: INSEE until 2024, Ministry of Economy and Finance for 2025

66. In its opinion on the amended draft budget bill for 2025, the High Council stated that the public expenditure target left the State with little margin for financing unforeseen expenditure. The announced additional effort of €5 bn, which concerns central government, increases this ambitious nature in the absence of structural savings, and given the context that could lead to new expenditures, notably in the defense sector.

67. **In terms of expenditure, the Government is forecasting a 1.3% rise in volume in 2025, lower than in 2024, but still not enough to reduce the weight of public expenditure in GDP. The actual savings effort falls almost entirely on the State, and would be further increased by the additional freeze measures announced. The inadequacy of the mechanisms used to steer public expenditure as a whole weakens the outturn forecast.**

68. **Overall, given the current state of cyclical information, and considering a slightly less deteriorated outturn in 2024 than expected in January (a deficit of 5.8 points of GDP in 2024 instead of 6.0 points), the High Council considers that the public deficit forecast for 2025 (5.4 points of GDP) can be kept, but is far from guaranteed. It requires strict control of expenditure that can be directly managed by the State, as well as control of social expenditure, and confirmation of the recent slowdown in local authorities' expenditure. The margins of safety and the capacities to react in the event of a new unfavorable shock appear very limited. Moreover, public debt is set to rise by a further 3 points of GDP by 2025.**

c – Public debt

69. By 2020, the debt-to-GDP ratio had risen sharply by 17 points to reach 115 points of GDP, due to the exceptional measures taken by public authorities in response to the health crisis. Despite particularly high public balances between 2021 and 2023 (- 5.6 points of GDP on average), the public debt-to-GDP ratio fell by 5 points between 2020 and 2023, to settle at 110 points of GDP in 2023, benefiting at its denominator from a significant rise in nominal GDP due to strong prices increase. However, most of our European partners experienced greater debt reduction over the period.

70. In contrast to the last three years, in 2024, the public debt ratio climbed by 3 points to reach 113 points of GDP: on the numerator, public deficit increased sharply, while on the denominator, the favorable mechanical impact of nominal growth diminished sharply. The debt-stabilizing deficit stood at 3.7 points of GDP in 2024 (versus 6.8 points in 2023, see table).

71. In comparison, Germany's debt-to-GDP ratio fell slightly (by 0.4 points of GDP) in 2024, settling at 62.5 points of GDP, while our main partner experienced a second year of economic recession. Thus, the difference between the debt-to-GDP ratios of France and Germany now exceeds 50 points of GDP, whereas they were at the same level twenty years ago.

72. According to Government forecasts, the debt-to-GDP ratio will continue to grow at the same rate in 2025 (+3 points), driven by the difference between the deficit and the debt-stabilizing deficit. The debt-to-GDP ratio should thus exceed this year, at 116.2 points of GDP, the peak reached in 2020 during the health crisis.

Table 7: Debt and public deficit

In points of GDP	**2023**	**2024**	**2025**
Public deficit (a)	**5.4**	**5.8**	**5.4**
debt-stabilizing deficit *(b)*	*6.8*	*3.7*	*2.4*
Difference between deficit and debt-stabilizing deficit (a – b)	*-1.4*	*+2.1*	*+3.0*
Public debt	**109.8**	**113.0**	**116.2**

Sources: Annual progress report of 2025 of the MTP.

73. As a result of rising long-term interest rates and debt level, the cost of debt of general government would rise sharply in 2024 and 2025, reaching 2.2 points of GDP (or €67 bn current) in 2025 in the Government's forecast, compared with 1.9 points of GDP in 2023 (or €53 bn current). It is possible, however, particularly if the public balance turns out to be higher than forecasted in 2025, that the financial markets' perception of the risks weighing on the budget trajectory could deteriorate, which would then push up interest rates and the cost of debt.

74. **France's debt-to-GDP ratio climbed 3 points in 2024 to reach 113 points of GDP, now exceeding that of Germany by more than 50 points of GDP.**

75. **According to Government forecasts, the debt-to-GDP ratio will again rise sharply in 2025 (+3 points of GDP), at the same rate as in 2024. It would thus exceed this year, at over 116 points of GDP, the peak reached during the health crisis. The HCFP considers that it could be slightly higher than forecasted by the Government, as the nominal GDP forecast is a little high and that of the deficit is weakened by the risk of overshooting.**

d- Prospects for 2026-2029

76. Beyond 2025, the public finance scenario is not detailed and does not lend itself to any real assessment beyond general comments.

77. According to the presentation provided by the administrations, the deficit would be reduced to 4.6 points of GDP in 2026, then would continue to fall to below 3% in 2029. The primary structural adjustment would be significant in 2026 (+0.9 points of GDP), then of around +0.7 points per year. This adjustment translates into a commitment on the evolution of net expenditure growth (see below).

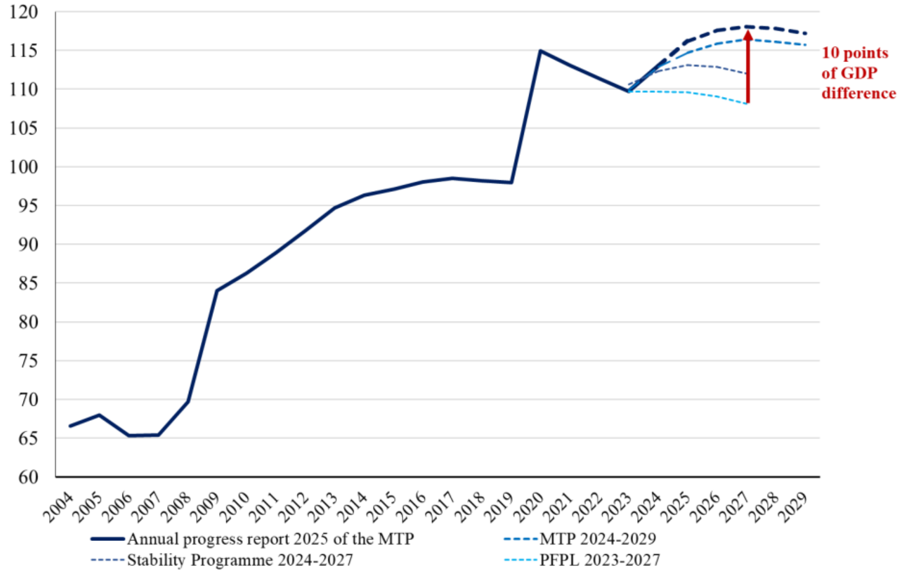
78. The measures required to achieve these objectives have yet to be fully defined and made credible. They imply greater savings than those planned for 2025, when a significant part of the effort comes from temporary revenues, and when additional expenditure could be incurred in the defense sector.

79. Achieving these balance targets, essential to keep control of our public finances in accordance with our commitments, requires structural savings measures and the pursuit of growth-enhancing reforms, while at the same time financing necessary investments. It also requires a shared effort to control expenditure by all the general governments, national, social and local.

80. According to Government forecasts, the debt-to-GDP ratio would continue to rise in 2026 and 2027, peaking at 118.1 points of GDP. The public deficit would in fact remain very high (4.3 on average over these two years), and higher than the deficit stabilizing the debt (3.3 points of GDP on average). The decline in the public debt-to-GDP ratio would not begin before 2028. By 2029, it would still be more than 4 points higher than the level reached in 2024, at 117.2 points of GDP.

81. The debt trajectory is slightly downgraded compared with the one of the MTP presented last October due to higher-than-expected debt in 2024 and later consolidation. The public debt-to-GDP ratio forecast for 2027 in this progress report is thus 1.7 points of GDP higher than in the MTP, and 10 points of GDP higher than in the PFPL enacted only a year and a half ago.

Figure 5: Public debt-to-GDP ratio (in %)



Note: national accounts base 2020, except PFPL base 2014
Sources: INSEE, PFPL 2023-2027, Stability Programme 2024-2027, MTP 2024-2029, annual progress report 2025 of the MTP

82. **The public finance trajectory beyond 2025, which is only sketched out in the documents presented, remains to be fully defined and made credible. The adjustment effort considered is a reduction of 0.9 points of GDP in the primary structural deficit in 2026, and of around 0.7 points of GDP per year thereafter. Such an adjustment is imperative to meet the target of bringing the deficit back below 3 points of GDP by 2029.**

83. **The debt trajectory is slightly deteriorated compared with that of the MTP, due to a slower consolidation than forecasted last October. The public debt-to-GDP ratio would peak at 118 points of GDP by 2027, meaning 10 points above the forecast of the public finance programming law enacted less than a year and a half ago. In addition, the forecast of the debt ratio starting to fall in 2028 is affected by the uncertainty surrounding the deficit forecast.**

84. **Any deviation from the consolidation path presented in the annual progress report would risk further postponing the reduction in the debt ratio beyond 2028. To keep control of its public finances, keep its debt under control and bring the deficit below 3**

points of GDP by 2029 at the latest, France needs a coherent and credible strategy for reducing the weight of public expenditure in GDP and the evolution of compulsory levies.

3 - Comments on consistency with France's European commitments

85. Following the reform of the European budgetary governance framework in April 2024, the examination of France's compliance with its European commitments is based on the assessment of compliance of the net expenditure growth (NEG) with NEG trajectory, which is the main operational variable of the MTP monitored *ex post* during the period covered by the MTP.

Reform of the European legal framework: net expenditure growth trajectory and annual progress report of the MTP

Regulation (EU) 2024/1263 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 came into force in April 2024. The Regulation establishes the MTP trajectory for net expenditure growth (NEG) as the operational variable for monitoring compliance with budgetary rules.

This "NEG" is expressed in current euros and corresponds to public expenditure net of interest charges and "*discretionary revenue measures, expenditure on Union programmes fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, as well as cyclical elements of unemployment benefit expenditure*".

Every year, Member States must publish an annual progress report detailing the outturn of the MTP, containing information on progress made in implementing the net expenditure trajectory set by the Council, as well as its reforms and investments. Deviations from the NEG trajectory set out in the plan are recorded in a control account. These deviations must not exceed an annual threshold (+0.3 points of GDP) and a maximum threshold for cumulative deviations over the plan period (+0.6 points of GDP).

The NEG is now also at the heart of the monitoring of the excessive deficit procedure. While excessive deficit procedure recommendations are set *ex ante*, and are set considering a minimum structural adjustment (or primary structural by 2027), *ex post* assessment of compliance with the recommendation is based on verification of compliance with the NEG trajectory.

For France, on January 21st, 2025, the Council adopted two recommendations, one endorsing the MTP, with an amended NEG trajectory consistent with the amended draft budget bill for 2025, the other under the excessive deficit procedure, setting the same NEG trajectory in order to bringing French deficit below 3% by 2029.

The capped trajectory of the NEG therefore meets <u>both the preventive and corrective arms of the reformed governance framework:</u>

- Under the preventive arm: a reduction in the debt-to-GDP ratio of at least 1 point per year on average when the debt ratio exceeds 90 points of GDP, as well as a minimum primary structural adjustment of 0.25% per year when the MTP adjustment period is extended to 7 years. With the debt safeguard, the primary structural adjustment required to ensure that the debt trajectory is on a downward path amounts to 0.78% per annum for France.

- Under the corrective arm, linked to the excessive deficit procedure activated for non-compliance with the deficit criterion: a return date below the 3% deficit threshold (2029), and a structural adjustment path (non-primary, unlike the preventive component) of at least 0.5% of GDP per year.

The MTP adopted for France complies with the renewed governance framework by making use of several open flexibilities, subject to investment and reform commitments: it is based on an extended adjustment period of 7 years, and the structural adjustment path does not strictly respect the 0.5 pts of GDP threshold for the year 2027, which was authorized under the transitional flexibility for the years 2025, 2026 and 2027 during which this minimum structural adjustment reference could be lowered, subject to investment and reform commitments, to take account of the rise in the interest burden. Thus, the 0.5 pts of GDP adjustment relates to the primary structural adjustment up to 2027, using the flexibility authorized at this horizon, and then relates to the structural adjustment beyond. Yet, the MTP trajectory respects this structural adjustment threshold as an annual average over the period 2025-2029 (0.56%).

86. The NEG trajectory set for France is a maximum increase of +0.8% in 2025, and then +1.2% in following years (+1.1% in 2029). The requirements also cover the cumulative evolution of NEG since 2023. As the recommendations were adopted by the Council in January 2025, there is no requirement relating to the NEG in 2024.

Table 8: Growth rate of net expenditure growth: Council recommendation, MTP trajectory and differences from Council recommendation

		forecast underlying the annual progress report				
Years		2025	2026	2027	2028	2029
maximum growth rate of the NEG set by the Council, in %	annual	0.8	1.2	1.2	1.2	1.1
	cumulative	4.6	5.8	7.1	4.8	9.5
growth rate of the NEG, of the MTP trajectory, in %	annual	0.9	0.7	1.3	1.2	1.2
	cumulative	4.2	4.9	6.3	7.6	9.0
deviations of the MTP from the Council's trajectory, %.	annual	0.1	-0.5	0.1	0.0	0.1
	cumulative	-0.4	-0.9	-0.8	-0.8	-0.5
deviations from the Council's trajectory in GDP points*	annual	0.0	-0.3	0.1	0.0	0.1
	cumulative	-0.2	-0.5	-0.4	-0.4	-0.3

**control account metric*

Source: Government

87. This trajectory of net expenditure growth differs from the trajectory on which the High Council was consulted in October 2024: the NEG trajectory of the MTP of October 2024, which was based on the public finance scenario of the initial draft budget bill for 2025, was adjusted in January 2025 before the MTP was adopted by the Council, to take account of the public finance scenario of the amended draft budget bill for 2025. Compared with the October 2024 MTP, the constraint on the maximum growth rate of net expenditure growth is softened in 2025 (+0.9% instead of +0.0%), implying a strict tightening of the NEG trajectory in 2026 (+0.7%), which would then soften in 2027 and 2028 (+1.3% and +1.2% respectively).

Table 9: Nominal balance trajectory of the adopted MTP and comparison with the October 2024 MTP

In points of GDP	2024	2025	2026	2027	2028	2029	2030	2031
Trajectory of the adopted MTP	-5.8	-5.4	-4.6	-4.1	-3.4	-2.8		
Trajectory of the October 2024 MTP	-6.1	-5.0	-4.6	-4.0	-3.3	-2.8	-2.2	-1.7
Differential	0.3	-0.4	0.0	-0.1	-0.1	0.0		

Source: Government

88. As the result for 2024 was lower than estimated when the recommendations were drawn up (+3.3% versus +3.8%), the Government has a small margin for maneuver (equivalent to 0.2 points of GDP) under the cumulative expenditure criterion. However, this safety margin constitutes a form of advance even before the start of France's commitments for the years 2025-2029. The High Council therefore invites the Government to keep this margin in reserve and not to mobilize it from the outset.

89. The High Council regrets that the Government's NEG trajectory for 2025 has been set at 0.1% above the annual maximum set by the Council in its recommendation (+0.8%). By allowing itself a forecasted slight overrun of this objective, the Government is already reducing its precautionary margin with regard to the new rules. Cumulative evolution since 2023 would remain below the cumulative cap.

90. **With regard to compliance with the MTP trajectory, the High Council notes that the evolution of net expenditure growth in 2025 would be slightly higher than required (+0.9% against a cap of +0.8%). Yet, the Government should strictly respect the annual growth limit in 2025. By allowing itself a slight forecasted overrun, it is reducing its precautionary margin with regard to the new rules.**

* *

This opinion will be published in the *Journal officiel* of the French Republic and submitted to the French Parliament.

Done in Paris, on 15 April 2025.

For the High Council of Public Finance,
The First President of the Court of Audit,
Chairman of the High Council of Public Finance

Pierre MOSCOVICI