RÉPUBLIQUE FRANÇAISE

2025

DRAFT BUDGETARY PLAN

Economic and fiscal outlook

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Economic policy strategy

In recent years, the reforms implemented to address the structural challenges faced by France have been paying off. They have boosted the country's appeal and the competitiveness of its businesses while also bolstering the momentum of the labour market and France's export performance. The successive global crises have allowed the French economy to demonstrate its resilience, but also have underscored the need to transform it with a bold strategy while continuing to protect the most vulnerable. After rolling out a large-scale support scheme in response to the crises, the French government has now shifted its priority to fiscal consolidation while continuing its initiatives in favour of employment, the green transition, reindustrialisation and the ongoing improvement of public services with a view to supporting growth. The economic streamlining programme should also help improve competitiveness and growth. Collective efforts must be made for the government's work, with involvement from all government departments and a central focus on consultation.

1. The macroeconomic outlook is still optimistic despite prevailing uncertainty

The gradual monetary easing implemented by the major central banks amid falling inflation is spurring the recovery of investment and purchasing power.

Following the successive violent shocks triggered by the COVID-19 pandemic and then Russia's invasion of Ukraine, 2023 saw the impacts of the energy crisis gradually wear off and inflation begin to drop. In 2024, the major central banks began their move to normalise monetary policy: the European Central Bank (ECB) and the Federal Reserve (the Fed) both started to progressively lower their policy rates, and the markets expect this monetary easing to continue.

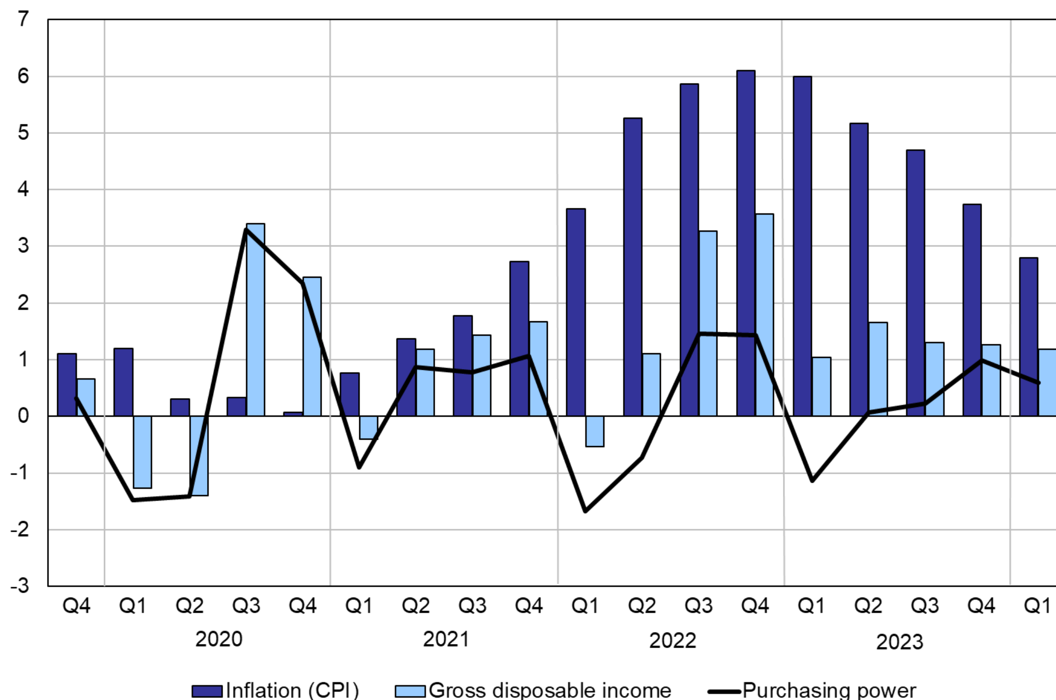
Against this backdrop of disinflation, France's economy is continuing to show resilience in 2024, with growth of 1.1% (the same figure as in 2023). Consumption is holding up and exports are increasing sharply in spite of a particularly unstable geopolitical situation with the continued Russian offensive in Ukraine, tension in the Middle East and heightened trade tensions. The gradual catch-up in export performance that began in 2023 stems from the improved competitiveness of French businesses. This catch-up is also being driven by the strong performance of transport equipment, particularly in the aerospace and services sectors, and by the ramping-up of European demand, which is itself being buoyed up by lower interest rates. The Paris Olympic and Paralympic Games, an event with global reach, drew in millions of visitors and had a positive economic impact. INSEE (the National Institute of Statistics and Economic Studies) estimates that household consumption and exports of services are expected to benefit from a 0.1 GDP-point increase in 2024. From a long-term perspective, the Games helped boost France's image and appeal, and strengthened social cohesion.

In 2025, growth is expected to remain unchanged at 1.1% amid fiscal consolidation. Estimates show that economic activity will benefit from an uptick in domestic demand. Contained inflation should drive up household consumption: the savings rate, which is way above the pre-COVID-19 pandemic level (14.6% for the 2014-2019 period), is expected to start declining (to 17.6%). There should be a slight upturn in investment after falling in 2024, with the interest rate shock gradually dissipating. Lastly, the pickup in global demand (+3.6% in 2025 versus +0.9% in 2024) is expected to boost exports. After the deficit stood at 5.5% of GDP in 2023 and 6.1% in 2024, resulting in an excessive deficit procedure being triggered, it should fall to 5.0% of GDP in 2025 and below 3% by 2029. This decline is attributed to a fiscal consolidation strategy primarily focused on reducing government expenditure.

Amid decreasing inflation – which should fall to an annual average of 2.1% in 2024 (versus 4.9% in 2023) and to below 2% as from 2025 – household purchasing power is expected to increase in 2024 and 2025. Following a 0.8% increase in 2023 (see Chart 1), INSEE estimates that it will accelerate sharply in 2024, with carry-over growth of 1.5% in mid-2024.

Similarly, consumer confidence, which was at an exceptionally low level in mid-2023, has been on the up since the second half of 2023 and is now close to normal levels.

Chart 1: Comparative trends (as a %) in inflation (year on year), gross disposable income and purchasing power (quarter on quarter) in France since Q4 2019



Source: INSEE

Recent labour market reforms have had positive and lasting impacts on job creation and the unemployment and employment rates.

The economic strategy implemented in France over the past few years is intended to generate full employment. Active employment policies, training programmes – particularly the development of apprenticeships and the Skills Investment Plan (PIC) – the pension reform and the unemployment insurance reforms have all helped to develop the employment incentives available and facilitate labour market integration. Thanks to these initiatives concrete progress has been made on creating jobs, reducing unemployment and raising the employment rate. The French economy created over 1.3 million salaried jobs between late 2019 and the second quarter of 2024 (see Chart 2). In Q2 2024, the employment rate reached its highest level since 1975 – when INSEE began recording this indicator – standing at 69.0% for the population aged 15 to 64 i.e. a 3.4-point increase on the Q2 2017 figure. Meanwhile, the unemployment rate stood at 7.3% in Q2 2024, a 0.9-point decrease on the pre-COVID-19 figure (Q4 2019). Lastly, while skills shortages persist, they have fallen sharply from their record level posted in late 2022, particularly in the industrial sector and, to a lesser extent, in the services sector (especially in the accommodation and catering segment).

Chart 2: Employment rate and workforce participation rate – ILO definitions (as a %)

Source: INSEE

2. The government's economic policy strategy aims to step up France's competitiveness factors to secure its sovereignty and ensure the resilience of its economic and social model

So that it can tackle both the fiscal and ecological debt, make the French economy more resilient to shocks and address the lingering structural challenges, the government's economic policy strategy has five main areas of focus:

- *Cut France's debt and deficit by ensuring that public finances are on sustainable footing*, which requires government expenditure to be reduced but also its quality and effectiveness to be improved, and also involves bolstering social and environmental justice and fair taxation;
- *Cut ecological debt by expediting France's green and energy transition*, with a view to decarbonising France's means of production and consumption to make it the European leader of the green economy;
- *Boost employment and raise the living standards of the French population* by incentivising pay increases above the statutory minimum wage (SMIC), and by continuing to work on increasing the employment rate and the integration of unemployed people into the labour market in a more targeted manner;
- *Reindustrialise France by bolstering its competitiveness, innovation and R&D,* thereby solidifying and boosting the momentum achieved up to now;
- *Guarantee access to top-quality public services*, which involves continuing investments in (i) education to enhance human capital and show that France's school system is just as much a springboard for social advancement as it is a building block for France's future economy, and in (ii) healthcare to prevent "medical deserts" and healthcare worker shortages.

a) Cut France's debt and ensure that public finances are on sustainable footing

Following a series of crises that drove the government to use countercyclical fiscal measures, it is now determined to lower the government deficit and in doing so reconstruct fiscal headroom. With this adjusted headroom, future shocks will be withstood and investment will be made in areas that are strategic for the French economy's future such as education, healthcare and the green transition. **The government has implemented consolidation measures to bring down the deficit to 5% of GDP in 2025, while maintaining France's growth and investment capacity. The goal is to put France on the right track and bring the deficit below 3% of GDP in 2029, in keeping with France's European commitments (see Box 1).**

Collective fiscal consolidation primarily requires government expenditure to be cut and its effectiveness to be improved. It also involves – to a lesser extent – fairer taxation in the form of a one-off contribution to support fiscal consolidation, payable by the most profitable major corporations and some of the highest-income households, as well as greener taxation.

The first move in controlling French public finances is government expenditure cuts.

On the international stage, France has one of the higher levels of government expenditure: in 2023 it represented 57% of GDP for the country, compared to the 49% EU average. Since 2019, government expenditure has risen by over €300bn to cope with the various crises and support households and businesses.

In 2024, the government deficit is expected to total 6.1% of GDP, up 0.6 percentage points of GDP from 5.5% in 2023. This increase is chiefly attributable to a slight reduction in the structural deficit, with the cyclical balance remaining unchanged from 2023. Without any measures, the structural balance would have fallen 1 percentage point of GDP in 2024 compared to 2023, primarily due to (i) the spontaneous increase in both operating and capital expenditure incurred by local authorities, (ii) an increase in expenditure on old-age benefits bolstered by the 2024 hike based on 2023 inflation and by adverse demographics, (iii) a spontaneous increase in aggregate tax and social security contributions that was weaker than nominal growth, (iv) an increase in the cost of debt service as a result of a previous interest rate rise, and (v) an increase in expenditure under the Invest for the Future Programme. However, these impacts should be mitigated by the gradual phasing out of exceptional measures to shield households and businesses from energy price increases. This spontaneous decline of the structural balance was limited by the government measure taken in February 2024 to cancel by decree €10bn in ministries' appropriations, appropriation freezes applied during the year and the tightening of local government expenditure – slated for the end of the year – following a sharp increase in the borrow requirement.

In 2025, the government balance is expected to show a strong improvement on 2024 to stand at -5.0% of the GDP. In a counterfactual scenario in which no measures were implemented, the balance would have stood at roughly -7% of GDP: fiscal consolidation efforts therefore represent nearly 2 percentage points of GDP (the equivalent of approximately €60bn), two thirds of which concern expenditure. Further work on cutting government expenditure will involve all sub-sectors of government departments. It will entail greater efforts to rein in expenditure by central government and its agencies, the containment of the expenditure incurred by social security funds, and various resilience and smoothing measures for local government finances to be followed through on a multi-annual basis. There will be a particular focus on expenditure incurred for the benefit of the most vulnerable members of society who rely on healthcare, education and social cohesion services. Likewise, expenditure cuts will directly involve local authorities by using a partnership arrangement to determine precisely how much each stakeholder should contribute to the collective effort to bring public finances under control.

These initiatives should gradually bring down France's deficit to below 3% of GDP by 2029 and allow it to exit the excessive deficit procedure launched in summer 2024.

Box 1: Reform of the European Union's economic governance framework

The new European fiscal rules set out in the reform of the European Union's economic governance framework entered into force on 30 April 2024 and will be fully applicable from 2025. New rules for the Stability Programme have established a balanced fiscal framework that is tailored to the current economic situation, helping to ensure both the sustainable footing of public finances and long-term growth. The rules will therefore be more credible and realistic, and will include incentives for reforms and investment.

It is against this backdrop that France is unveiling its first national medium-term fiscal-structural plan in autumn 2024 alongside the 2025 Budget Bill. The national medium-term fiscal-structural plans are therefore designed to supplant the Stability Programme and national reform programmes set out in the previous framework.

The plan, presented by each Member State for the 2025-2028 period, sets out a fiscal path for shifting the government debt-to-GDP ratio onto a downwards trend in a long-lasting and feasible manner via credible fiscal consolidation applied for the next few years. Debt Sustainability Analysis (DSA) tools can be used to distinguish between the fiscal adjustment paths of Member States by factoring in the widely varying levels of debt within the EU and the different growth and demographic perspectives. Joint safeguards are implemented in conjunction with the DSA so that a minimum adjustment can be made to bring Member States on track with targets set forth in the treaties on debt and the deficit.

The new framework encourages investment and the implementation of structural reforms. These incentives take the form of the option granted to Member States to request extensions of their fiscal adjustment periods – initially set at four years – by up to three years. The extension allows for the fulfilment of fiscal consolidation requirements to be spread out over time when Member States make reform and investment commitments contributing to the sustainability of public finances, improved potential growth and EU priority areas such as the green and digital transitions, and strengthening defense capabilities. France will present a reform and investment package to contribute towards achieving these goals, with a view to securing a three-year extension of the fiscal adjustment period (from four to seven years). In addition, the reforms and investments set out in the National Recovery and Resilience Plan (NRRP) will significantly contribute to securing this extension for the first national medium-term fiscal-structural plan.

Lastly, rules on excessive deficits are unchanged from the previous fiscal framework but have been temporarily adjusted in light of interest rate hikes and the increase in the cost of debt service. An excessive deficit procedure may be launched if a Member State exceeds the target headline deficit of 3% of GDP. The European Commission must then set a corrective path in line with a minimum structural adjustment of 0.5 percentage points of GDP per year as a benchmark, as set out in the rules of the previous framework. However, a degree of flexibility has been introduced for the years from 2025 to 2027 in the form of the possibility of lowering the benchmark minimum structural adjustment of 0.5 percentage points of GDP per year to factor in the increase in interest expense when a Member State carries out major reforms or investments.

The second fiscal measure involves improving the effectiveness of expenditure.

In addition to dealing with expenditure levels, the government is looking to improve the effectiveness of expenditure and increase the gains from each euro spent. A series of bold public finance governance measures will be continued by the government to assess the quality of expenditure. The *annual spending review arrangements* go some way to achieving this goal, and are able to identify long-term savings measures (see Box 2) while raising the quality of government expenditure in constant euro terms by removing any ineffective expenditure. Savings will be made by fully committing to streamlining government

action, which will also improve the effectiveness of government services for French citizens through resource pooling measures implemented across all government departments and through ongoing decentralisation initiatives, such as the France Services center scheme.

Box 2: 2023 and 2024 spending reviews

Following on from its emergency and recovery plans, the government has plans to roll out tools to support fiscal consolidation in the wake of the crises.

The spending revues have been coordinated in line with fiscal and parliamentary timetables and act as an additional exercise for tools currently in place with a view to informing the preparation and discussion of financial legislation in Parliament (e.g. Budget Bills – PLF – and Social Security Budget Bills – PLFSS).

The goal is to construct a lasting and recurrent institutional framework for assessing government action in order to record savings on a multi-year basis, provide more headroom for funding priority public policies and speed up debt reduction in the post-crisis period across all sectors of the government.

The assessment scope covers all government departments and government action measures (fiscally speaking, budget appropriations, tax expenditure, earmarked taxes etc.) so as to considerably cut government expenditure in the medium term, while supporting goals relating to the quality of public services, the green transition and greater economic efficiency.

Fourteen taskforces were launched in the first half of 2023 – with seven of them being entrusted to inspectorate generals – and their findings were submitted in July 2023. They covered a broad scope – all government departments in fact – with six taskforces focusing on the central government scope, three on the scope of social security funds, two on government agencies and three on the scope of local authorities.

In addition, the Government Audit Office took part in the spending reviews instigated by the government by drafting nine topic-based memoranda.

A second round was launched in 2024 and its findings were made public in September 2024. They covered seven topics including grants for businesses, support for employment, vocational training, and apprenticeships. These spending reviews recorded part of the savings set out in the 2025 Budget Bill and may provide input to parliamentary debates on saving measures.

Fiscal consolidation also involves implementing measures for fairer taxation and social and environmental justice.

Tax cuts since 2017 have lessened the tax burden for households and businesses by over €50bn and have bolstered France's competitiveness. Major corporations making large profits and the highest income households will be required to make a temporary contribution – that will not be prejudicial to them – for the sake of collective fiscal consolidation. Measures to reduce tax and social security contribution exemptions will also be introduced to make the social security and tax system more effective and combat deadweight losses. Taxation will also be greener by in particular encouraging greater energy saving efforts and a reduced reliance on carbon-intensive energy sources.

Lastly, efforts to stamp out tax evasion and social security fraud will be stepped up. Additional financial and human resources will be introduced from now to 2027 so that efforts to *counter fraud in all its forms* (e.g. tax, social security and customs) will continue to intensify. Less than a year after the announcement of the Plan for combating tax evasion, social security and customs fraud, the amounts of tax due for

collection were at an all-time high in 2023 at €15.2bn – €600m more than the 2022 figure, and €3.5bn more than in 2019. There has also been a 25% increase in the number of tax audits of the highest-earning individual taxpayers. Since this plan was implemented, there has been a 50% increase in URSSAF adjustments for social security fraud committed by businesses. Adjustments totalled €1.2bn in 2023, compared to €800m in 2022 and €500m in 2017.

b) Cut ecological debt by expediting France's green and energy transition

As the High Council for Climate Action pointed out in its 2024 annual report, the last ten years have been the hottest decade ever recorded in mainland France and worldwide in over 120 years. With more and more climate disruptions, the impacts of which are becoming increasingly apparent globally, resolute and swift action is needed to limit their extent and the harm on our economies; otherwise, an ecological debt will accumulate that will burden future generations. Given this, the strategy adopted by the government is based on a thorough planning procedure. Its goal is to decarbonise France's means of consumption and production to make France the European leader in the low-carbon economy and tap into the economic potential of the green transition in creating new needs and industries. At the same time, the strategy ensures that France is adapting to the inevitable consequences of climate change, and guarantees its energy sovereignty.

To address the economic and social repercussions of climate change, the government is continuing work on its bold low-carbon roadmap and planning procedure.

Greenhouse gas (GHG) emission reductions are increasing, with France posting a 5.8% reduction in 2023 (compared to 2022). The "France Green Nation" roadmap sets out to coordinate and ensure the attainment of new GHG emission targets. In line with the Fit-for 55 legislative package (2021), France's gross GHG emission reduction target is 50% by 2030[1] compared to 1990 levels, with carbon neutrality to be achieved by 2050. To fulfil these commitments, the *Secretariat General for Green Planning* (SGPE) conducted planning work involving all economic stakeholders in the "*France Green Nation*" roadmap (see Box 3), published in September 2023 and updated in July 2024. Over 50 measures were identified and are accompanied by tangible initiatives covering all aspects of a French citizen's life: better housing, better nutrition, better transport, better consumption, better production and better preservation and enhancement of France's ecosystems. Seeking to decarbonise its energy mix, France for example pledged in June 2024 to have 570 TWhr of renewable energy in its energy mix by 2030, under the *National Integrated Energy and Climate Plan (PNIEC)*. When nuclear power is included, according to the path set out in this plan, low-carbon energy will account for 58% of France's final energy consumption by 2030, and 71% by 2035. Work is continuing on certain planning projects to fine tune and flesh out the plan, particularly in relation to the circular economy and the adaptation component. These various initiatives are particularly in line with the *Energy and Climate Strategy (SFEC)*, which includes the *National Low-Carbon Strategy (SNBC)*, the *Multiyear Energy Plan (PPE)* and the third *National Plan for Adaptation to Climate Change (PNACC)*.

[1] Gross emissions do not include emissions relating to land use, land-use change and forestry (LULUCF).

Box 3: Summary of the SGPE Plan of September 2023 and the green planning dashboard of March 2024

France has adopted a green planning procedure in response to the climate crisis. The “France Green Nation” action plan, prepared by the Secretariat General for Green Planning (SGPE) and published in September 2023, was devised in collaboration with all stakeholders: central government, local authorities, businesses, non-profits and citizens.

The plan covers six core topics (transport, housing, ecosystem preservation, production, food and consumption) and identifies some 50 measures that are quantified to effectively coordinate green transition initiatives. This holistic approach means that each measure can be assessed for its effectiveness and its impact when combined with other solutions.

Green planning is designed to take up five major challenges:

- Mitigate global warming by cutting GHG emissions: gross reduction target of approximately 117 mtCO_2eq between 2023 and 2030;
- Adapt to the inevitable consequences of climate change with measures to bolster the resilience of infrastructure and the regions;
- Preserve and restore biodiversity with a restoration target of 1.4 million hectares;
- Conserve resources by pushing for sustainable soil and water management, with a freshwater intake reduction of 10% by 2030;
- Reduce all forms of pollution posing a health risk, with a target to scrap all unnecessary plastic packaging by 2025.

The plan’s progress is monitored using a dashboard. With this dashboard, the results of 250 green planning indicators can be examined, which are divided into nine areas (Cross-sector, Transport, Buildings, Energy, Industry, Agri-food, Water, Ecosystems and the Circular Economy).

These indicators show trends from recent years and share the outlook for the major measures.

The 2024 survey of the dashboard, published in March 2024, shows that national GHG emission reduction picked up in 2023 due to:

- an increase in the share of electric passenger cars (16% of new registrations versus 1% in 2017, with a 2030 target of 66%);
- an increase in total installed solar power generation: 19 GW (compared to 16 GW in 2022 and 7 GW in 2017);
- the ramping-up of onshore wind power generation (42 TWhr versus 25 TWhr in 2017).

Total GHG emissions in CO_2 equivalent notably fell in 2023 by 5.8%, particularly in the following sectors:

- Residential and office buildings (businesses, stores etc.): 59.3 MtCO_2eq (versus 64 Mt in 2022 and 84.1 Mt in 2017);
- Manufacturing and construction sector: 66 MtCO_2eq (versus 73 Mt in 2022 et 83 Mt in 2017).

This tool is regularly upgraded based on the progress of work and user feedback.

This information is made readily available in line with the dashboard’s goal of keeping all stakeholders up to date and contributing to the debate on the best suited transition approach to adopt in France.

Since 2017 the government has been investing heavily in decarbonising the French economy, taking a sectoral approach.

To reach national decarbonisation targets, investment needs are estimated to be roughly €110bn a year by 2030, up compared to 2021 investment. These additional investment needs total €63bn a year when deducting the lower investments in carbon-emitting assets (e.g. decrease in the share of internal-combustion vehicles sold among all new vehicles) and in newbuilds.[2] These funds will be provided by both public and private stakeholders. Economic policy measures to encourage and support this additional effort from various economic stakeholders are outlined in the *Multiyear Strategy for Financing France's Green Transition and Energy Policy (SPAFTE)*, published by the government for the first time in 2024 (see below). To better track changes in the climate- and environmental-related impact of its budget and tax expenditure, the government has been producing a Green Budget since 2020. This impact study of the Budget Bill covers the six priority areas of the green transition (mitigation, adaptation, biodiversity, resources, local pollution and water).

The government has made large investments in public and individual transport. Under the *Mobility Reform Act* and the *Future Transport Plan*, investments were focused first and foremost on everyday transport, particularly rail. The most recent performance contract between the government and rail infrastructure manager SNCF Réseau provides for a record-high level of investment to upgrade the rail network. In addition, as part of planning contracts between the government and the regions, the government has pledged to co-finance local and regional mobility projects. It will do so primarily through the *development of express urban train services in regional metropolitan areas (SERM)* for nearly €900m by 2027 (to fund studies) in order to improve the connectivity and reliability of urban and suburban transport, as well as through the *revitalisation of minor rail lines*, which will facilitate regional travel and reduce reliance on passenger cars. The government is also supporting local *public transport reserved lane* (TCSP) projects by co-financing them through calls for projects. With the Ministry for Transport now reporting to an overarching Ministry for Partnerships alongside local authorities, the government is demonstrating its commitment to implementing policies that will foster the growth of everyday means of transport which are geared towards each region's specific needs.

The main goal of industrial decarbonisation investments is to improve the energy efficiency of production processes. Under the "50 Facilities" strategy, the signing of commitment contracts between the government and the highest-emitting industrial facilities on emissions reduction trajectories provides a way to plan and coordinate investments in technology required for decarbonisation. The Environment and Energy Management Agency (ADEME) has issued various calls for projects of substantially increasing amounts in recent years, growing from a total of €2.6bn between 2009 and 2020, under the Heat Sources Fund, to €1.2bn between 2020 and 2022 in connection with calls for projects under the *France Relance* Recovery Plan, as well as the Energy Saving Certificates scheme. Besides lowering emissions, decarbonisation boosts the sovereignty and competitiveness of our industrial sector by limiting costs related to fossil-fuel inputs, most of which are imported from outside the European Union.

With a focus on the residential construction sector, the government has implemented a comprehensive strategy aimed at raising thermal insulation standards in retrofitting projects and newbuilds. Since it was launched in 2020, the *MaPrimeRénov'* scheme had provided a cumulative €10.9bn in grants at 30 June 2024 and helped fund the retrofitting of more than 2.3 million housing units, generating €32bn of construction work.[3] To increase the number of high-performance retrofitting projects being carried out, the scheme was recast on 1 January 2024 to be more effectively targeted. It has been split into two sub-schemes: *MaPrimeRénov' for large-scale retrofitting projects* (Parcours accompagné*)* and *MaPrimeRénov' for small-scale retrofitting*

[2] Logan Gourmand (2023), "How Much Investment Is Required To Reach France's Decarbonisation Targets For 2030?", *Trésor-Economics*.

[3] National Housing Agency (ANAH) 2024 Half-Yearly Review.

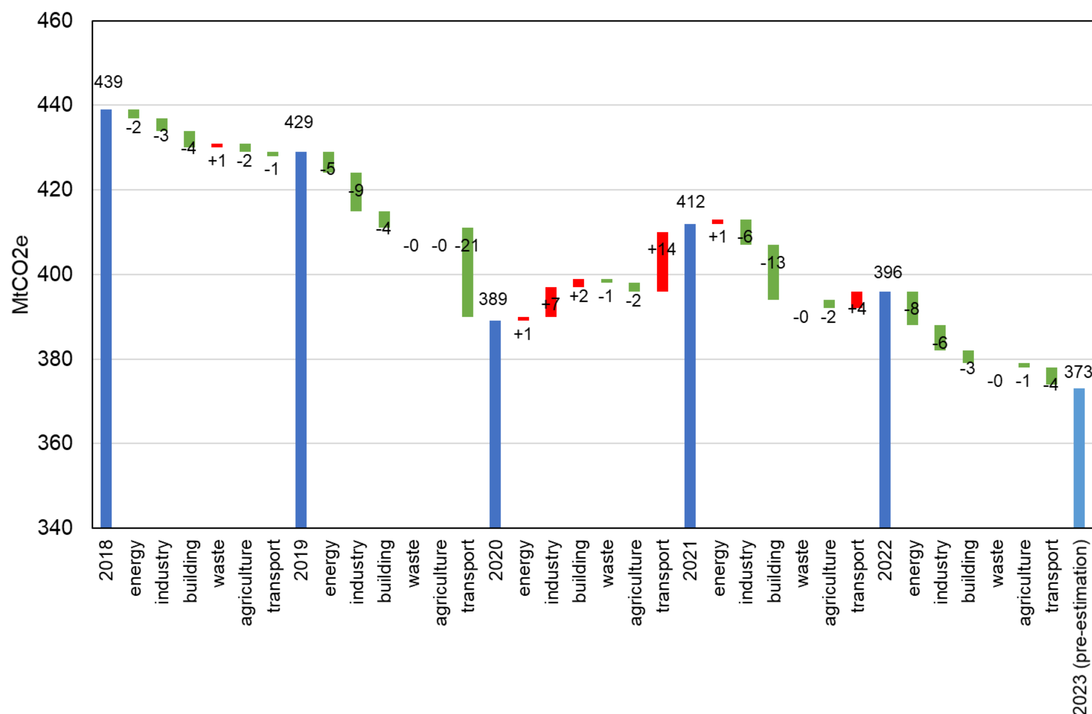
*projects (*Parcours par geste*),* such as carrying out one or several insulation and ventilation projects or having a decarbonised heating system installed. These efforts, coupled with other assistance schemes, are meant to reduce the energy consumption of housing, lower household energy bills and combat fuel poverty. All schemes combined, government support for residential energy retrofitting resulted in the completion of 718,000 retrofitting projects in 2022 and 624,000 in 2023.

The government has also invested in decarbonising France's energy mix by developing nuclear and renewable energy, particularly wind and solar power. Since 2005, gross final renewable energy consumption has been rising at a rapid pace (4% a year), with the help of investments fostering the development of renewables. In 2023, wind and solar energy production reached a record high of 50.8 TWh and 21.6 TWh respectively, accounting for 15% of total electricity generation, for 21.8 GW and 19.0 GW of installed capacity at 31 December 2023. In total, the share of renewable energy in gross final energy consumption in France rose 1.7 percentage points in 2023 compared to 2022, to 22.2%. This sharp rise, the second largest after 2020, is attributable to higher gross final renewable energy consumption (up 5.6% in 2023) while gross final energy consumption declined 2.6%. Against a backdrop of high energy prices and continued severe supply tensions, the government encouraged energy saving through the *Energy Saving Plan* which firmly establishes eco-friendly habits in the day-to-day life of households, businesses and government.

Emission mitigation efforts have achieved success and France increased the pace of emission cuts in the 2017-2023 period.

Greenhouse gas emissions fell 25% between 1990 and 2022, and this downward trend is picking up pace. Net GHG emissions decreased 2.1% a year on average between 2019 and 2022, faster than between 2010 and 2019 (1.3% a year on average). According to Citepa data, in 2023 the pace of decarbonisation also accelerated, with GHG emissions (excluding carbon sinks) declining 5.8% (-22.8 Mt CO_2-eq) compared to 2022 (see Chart 3). This pace, consistent with a decarbonisation trajectory enabling us to meet our 2030 targets, has held up in 2024 with emissions down 3.6% in H1 2024. Our target of lowering gross emissions by 50% assumes a total decrease of 28% between 2023 and 2030, or 4.5% a year.

Chart 3: Change in gross greenhouse gas emissions in France between 2018 and 2023



Source: Citepa, Secten 2024 data. Scope: Mainland and overseas France belonging to the EU.

The rollout of the France Green Nation Plan will fast-track the transition by putting greater emphasis on decarbonising industry and mobility.

Green reindustrialisation is a main component of the government's strategy. The *France 2030 Plan* is rolling out a series of measures to help develop value-creating decarbonisation solutions in France, such as electric battery production facilities. The support measures rely on existing solutions, with the goal of their ramp-up, scale-up and deployment, and on new disruptive solutions by scaling up production of proofs of concept and then patenting and marketing the resulting solutions. The implementation of the *Green Industry Act* will help to set up new industrial facilities (particularly through exemptions made possible for large-scale national interest projects) and to further green our manufacturing industry. Thanks to provisions that fast-track the redevelopment of brownfield sites, the first 55 turnkey sites to host new industrial activities were announced on 17 April 2024.

The government is also fully committed to decarbonising mobility. Two schemes aimed at helping individuals purchase low-emission vehicles underwent reform to further incentivise their use: *the bonus scheme for acquiring a low-emission vehicle and the tax penalty scheme* affecting vehicle models with the highest emissions. Since January 2023, the bonus scheme has applied to vehicles running exclusively on electricity, hydrogen or a combination of the two, and weighing less than 2.4 tonnes. Since October 2023, the eligibility of new electric passenger cars for the bonus has been determined by their *environmental score*. This new criterion is based on the carbon footprint of the vehicle's production, among other factors. *The Car-Scrapping Bonus*, which subsidises the scrapping of old polluting vehicles, is another measure assisting households with purchasing cleaner vehicles. Alongside these measures and with a view to making electric vehicle use accessible to everyone, in 2024 the government implemented a *long-term electric vehicle leasing programme costing users €100 a month* and aimed at the lowest-income households. Building on the potential emissions reductions from decarbonising daily commutes, the *Bike and Walking Plan 2023-2027* has become the successor to the Bike Plan, which developed

1,000 projects dedicated to cycling facilities in some 600 local areas, and seeks to establish bike transport as a permanent fixture in the daily lives of French people. At 30 June 2024, nearly 62,000 km of secure cycle lanes were available in France. Moreover, several tax incentive measures for businesses are contributing to this take-up, with employers playing a key role in bike usage. The government offers, for example, two types of bike purchase grants, which may be combined together and with local grants: the *Ecological Bonus and the Car-Scrapping Bonus*.

The government is continuing its efforts to decarbonise France's energy mix.

In priority, this work capitalises on France's long-standing decarbonisation policy with the revival of France's nuclear industry, harnessing three essential measures. The first concerns upgrading and increasing the operational lifespan of existing nuclear power plants. The second involves the construction of six new reactors by 2050, with an option to build eight more, through France's New Nuclear Power Programme and investments of an estimated tens of billions of euros. In addition, the Act of 22 June 2023 on the fast-tracking of procedures related to the construction of new nuclear facilities near existing nuclear facilities and to the operation of existing facilities streamlines the procedures required to implement these investments. The third measure, whose purpose is to prepare for the nuclear sector's future and new needs, has allocated €1bn, in respect of the *France 2030 Plan*, for *small modular reactors (SMRs) and advanced modular reactors (AMRs)*. These low-power reactors greatly enhance safety and could be a cost-effective solution for the industry. They could, for instance, replace fossil-fuelled (coal and gas) power stations of similar capacity, at a reasonable cost since they can be mass produced.

The government is also continuing its rapid rollout of renewable, low-carbon energy as a means to ensure our energy sovereignty, in line with the REPowerEU Plan and investments made under the National Recovery and Resilience Plan (NRRP). The implementation of the *Renewable Energy Fast-Tracking Act* will streamline facility permitting procedures and, by extension, investments. Over 320,000 *fast-track zones* were entered into the portal set up by the public authorities in April 2024 and more than 12,000 municipalities and government-funded intermunicipal cooperation institutions (EPCIs) had an active account. In parallel, the government is continuing to invest in decarbonised hydrogen, driven by the *National Strategy for the Development of Decarbonised Hydrogen*, with funding of up to €9bn by 2030, primarily through the France 2030 Plan. In a similar vein, in August and September 2024 the government launched new calls for tenders to support onshore and offshore renewable energy. Overseas territories have also pledged to meet a renewable energy target of 100% in 2030 and will serve as innovation labs for solar and geothermal energy.

Expanding decarbonised energy generation capabilities will also reduce our reliance on imported fossil-fuel energy. Against a backdrop of heightened geopolitical tensions, decarbonising will be critical to strengthening the strategic autonomy of France and the European Union. It will involve *making greater use of biomass* to efficiently decarbonise gas and heat generation, as well as developing *the French aviation biofuel sector*.

Lastly, energy saving and efficiency measures are key in curbing our energy needs and our emissions. Support provided to individuals and businesses, particularly regarding energy retrofitting in buildings, will be more effectively targeted. The energy performance diagnosis process will also be streamlined and deadlines will be adjusted to increase the efficiency and acceptability of the diagnosis, as well as to ensure an optimal rollout over time. As the country's largest owner of land and property, the government, along with its agencies, should lead by example. It will do its share to save energy by reducing and insulating its properties.

Greening our economy also requires upgrading our finance-raising tools for the government and for households and businesses.

The government is first incorporating green transition-related constraints into its budgetary planning process. In this respect, it will be repeating in 2025 the exercise of the *Green Budget*, initially created in 2020. As a first and covering a broader scope, the government will submit to Parliament the *Multiyear Strategy for Financing France's Green Transition and Energy Policy (SPAFTE)*, which provides insight into how investment efforts for the green transition are distributed amongst various economic stakeholders (central government, local authorities, businesses and households) as well as an unprecedented multi-annual perspective to public and private stakeholders. Remaining committed to sustainable finance, in January 2024 the government issued France's *fourth sovereign green bond, the Green OAT,* for an amount of €8bn, after becoming the first advanced country to issue this type of bond for a benchmark amount in 2017. The total outstanding amount of issued Green OATs was €72.5bn in August 2024. Each year, the funds raised by Green OAT issues are used to finance a set of green projects under the central government general budget to fight climate change, conserve biodiversity and protect natural areas, along with other priorities.

Raising and steering private investment is also essential to the government's strategy, as the transition requires significant financial resources. In this regard, the *Green Industry Act* created *Green Transition Bonds (OTs)* which are guaranteed by the government for SMEs and mid-tier companies, and the *Climate Future Savings Account*, which has been available since 1 July 2024 to young people under 21 seeking to invest in the financial securities of companies or organisations that finance green transition projects. The *reform of the Socially Responsible Investment (SRI) Label* is an additional public outreach tool that enables every individual to choose savings products that incorporate environmental, social and governance principles into their portfolio management practices. The new SRI Label has more stringent selection criteria for securities, making fighting climate change a key principle. A climate component is now part of its core criteria, with excluded issuers including those who extract thermal coal or unconventional fossil fuels, as well as those who develop new projects for the exploration, extraction and refining of oil and gas. Lastly, the government's priority at EU level is to make decisive progress on *the Capital Markets Union*. In ongoing discussions between Member States, France is calling for the creation of a European savings product in order to tap into the large savings of Europe's citizens, revive the securitisation market to improve the financing environment for businesses and strengthen European supervision of financial markets through greater integration. The Capital Markets Union should play a part in financing the investments that Europe needs to both fast track the green transition and ensure Europe's competitiveness and ability to foster innovation and, by extension, long-term growth, as highlighted in the Noyer Report released on 25 April 2024, or more recently in the Draghi Report in September 2024.

Lastly, in light of the already visible effects of climate disruption and the risk of failing to meet global targets for limiting warming, we must adapt our economy more rapidly.

The government is rolling out an adaptation strategy to complement mitigation measures and thus limit the impacts of global warming. The third *National Climate Change Adaptation Plan (PNACC)* currently being drafted is intended to increase the resilience of populations, infrastructure, businesses and natural habitats. This third PNACC will lay out adaptation policy in all areas for the next five years in tangible, operational terms. For the first time, it draws on a *Reference Warming Trajectory for Climate Change Adaptation (TRACC),* which will serve as the trajectory for French adaptation policy and initiatives taken by all stakeholders. The warming trajectory adopted is in line with the continued implementation of existing global policies without taking additional measures and assumes an average temperature rise of 2°C by 2030, 2.7°C by 2050 and 4°C by 2100 compared to pre-industrial levels in mainland France. For example, the adaptation strategy will fully take into account water-related issues, including droughts, flooding, conflicts of use and groundwater pollution. *A national conference* on strategic water issues will be devoted to these concerns in 2025.

c) Support the employment and standard of living of French citizens

Protecting the purchasing power of French citizens and raising their standard of living means ensuring access to employment and recognising the value of work, which must offer better pay. The reduction in unemployment and the higher employment rate are both factors that can contribute to social cohesion and economic prosperity by strengthening the economy over the long term and fostering labour market integration for all, while also playing a part in reining in government expenditure. There is also a need to develop skills that are or will be in demand in our economy today and in coming years to meet the challenges of the dual green and digital transition, so as to ensure that the French economy shifts upmarket and to boost labour productivity. Tackling barriers to employment and to mobility and professional advancement will increase the buoyancy of the labour market.

The reforms and investments implemented to achieve full employment are focused on providing support for people to return to work quickly, upskilling, and increasing the workforce.

One component of this strategy has scaled up back-to-work incentives and support to help people to return to the labour market for an extended duration. By introducing new benefit rules under which work is better paid than unemployment and that take economic conditions more into consideration, the *unemployment insurance reforms* undertaken in 2019 and subsequently in 2023 have expanded back-to-work incentives (see Box 4). The *rebranding of Pôle Emploi as France Travail*, underway since January 2024 and set to be completed in 2025, will also enhance support provided to jobseekers, who will receive an in-depth assessment for more personalised career assistance as well as guidance on finding and landing a job that meets their needs. They will sign a contract with France Travail which is based on mutual commitments and outlines employment goals and an action plan.

As a result of these and previous reforms, the unemployment rate was 7.3% in Q2 2024 (compared to 9.5% in Q2 2017), close to its 40-year low. The average registration period with *France Travail* (formerly *Pôle Emploi*) was shortened, falling from an average of 13 months in 2017 to an average of around 11 months in 2023, and the long-term employment rate dropped 0.5% between 31 December 2019 and Q2 2024, to stand at 1.7%. This faster return-to-work rate limits the risk of unemployment traps, which can affect those who have been out of the labour market for an extended period. This significant progress comes on top of improved job quality, which has benefited from the better support provided to jobseekers and the "bonus-malus" system limiting the use of short-term employment contracts. According to INSEE, since the end of 2019, of the 1.1 million private-sector jobs created, almost 0.9 million were permanent-contract positions. The share of workers on temporary or fixed-term contracts declined 0.4 percentage points over 2023, to stand at 9.8%. In addition, the full-time employment rate was much higher in Q2 2024 (57.4%) compared to pre-COVID levels (54.6% in Q4 2019).

Box 4: Ex ante evaluation of the macroeconomic effects of the contracyclical unemployment insurance reform

The reform of France's unemployment insurance system came into effect on 1 February 2023 and the rules governing unemployment benefit are now adjusted based on the situation in the labour market (the "contracyclical reform"), affecting new benefit recipients. If the economic situation is considered favourable, unemployment benefit will be paid for a shorter length of time and jobseekers may be entitled to an additional payment at their previous rate if the economic situation becomes unfavourable again insofar as it is harder to find work. A favourable economic situation equates to three consecutive quarters with an unemployment rate below 9% and no quarterly change of more than eight-tenths of a percentage point.

Empirical literature shows that periods of unemployment are shorter if unemployment benefit is paid over a shorter length of time. Reducing the period during which unemployment benefit is paid encourages jobseekers to look for work (at a given wage) and leads to a decline in the reservation wage in the longer term. This decline reduces the equilibrium wage on the labour market, stimulating businesses' demand for labour, thereby increasing the likelihood that jobseekers will find work.

The reform is expected to have a positive impact on employment in the short term. The impact on public finances is also expected to remain positive. In addition, the downward pressure on reservation wages due to the new payment rules is predicted to limit price increases, resulting in productivity gains and positive flow-through effects on activity and employment in the mid term.

Based on a French Treasury evaluation using the Mésange model, the contracyclical unemployment insurance reform is expected to have a positive impact on employment in the short term, with just over 40,000 jobs created by 2027. In the long term, activity is forecast to grow by half a percentage point of GDP with just under 120,000 jobs created.

The government has also invested heavily in skills development for workers, from entry level to mid-career. The €15bn *Skills Investment Plan* has funded schemes for low-skilled jobseekers and unskilled young people. The training access rate for least-skilled workers (lower or upper secondary education not completed) increased from 8.9% in 2017 to 10.7% in 2021. The plan has also targeted needs in the manufacturing industry and improved labour market matching, particularly in sectors where there are skills shortages. Meanwhile, the *reform of the Individual Training Account* (CPF), which has been ramped up since 2019, has boosted the number of training courses provided to 1.3 million in 2023 from 0.5 million in 2019, with the least-skilled over-represented. In 2023, for example, the proportion of CPF users who had not completed upper secondary education (37%) was 4 points higher than users who had completed upper secondary education (33%). The *Apprenticeship Support Scheme* has also helped to promote hands-on skills development within businesses. It has improved youth employability and employment, and has been growing steadily. At end-July 2024, there were 915,000 apprentices, a 4.7% year-on-year increase according to DARES (the statistics division of the Ministry for Labour) data. The number of new apprenticeships started rose from 321,000 in 2018 to 852,000 in 2023, an increase of 165%.

Lastly, pension reforms are starting to have an effect, increasing the working-age population and supporting the employment of older workers. With the legal retirement age gradually being raised and a longer contribution period under the pension reforms of 2014 and 2023, the employment rate of 55–64 year-olds was 60.0% in Q2 2024 (see Chart 4) and has been rising steadily since 2017 (52.7% in the second quarter of 2017). The employment rate of older workers was close to the European average of 64.8% in Q1 2024. The Prime Minister intends to start meeting with the social partners in the months ahead to discuss possible amendments to the reform that would be reasonable and fair, particularly with regard to part-time work for retirement-age people, gender equality in retirement and workers in arduous or hazardous occupations, while ensuring the ongoing sustainability of our pay-as-you-go pension system.

Chart 4: Employment rate of older workers (55–64 year-olds, %)

Source: INSEE

The labour market continues to grapple with shortages in some sectors and there is still room for improvement in youth and women's employment.

There were fewer businesses reporting hiring difficulties in all sectors in Q3 2024 than in Q4 2022. In response to increasing difficulties after the pandemic, the government rolled out a *Skills Shortage Action Plan* in October 2021, with phase two of the plan implemented from October 2022. The plan has considerably reduced labour shortages since the start of 2023. Based on INSEE's quarterly economic survey, 48.4% of manufacturing businesses and 45.8% of service businesses reported labour shortages in Q3 2024, compared with 65.1% and 61.0%, respectively, at end-2022. There are still major shortages in service businesses compared with pre-pandemic levels (37.0% at end-2019).

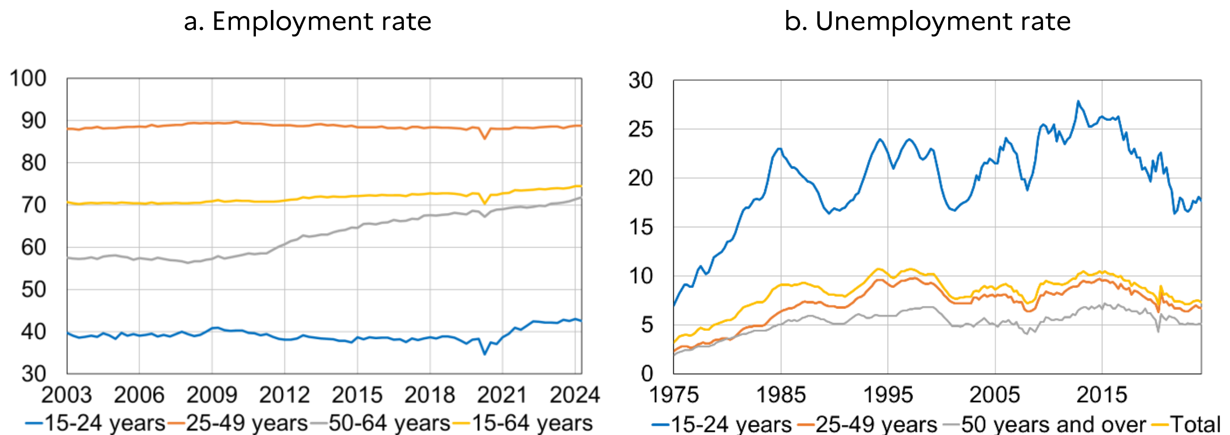
These difficulties will be exacerbated by the green and digital transitions and the major transformation of the economy as a result. The transitions will shift jobs away from carbon-intensive sectors to sectors that assist in the transitions, and needs for skills will change. While jobs directly involved in the transitions, i.e. green and greening jobs, are currently estimated to account for just over 10% of total jobs, that percentage is predicted to grow and we will need to adapt our initial and in-service training systems.[4]

There is significant room for improvement in youth and women's employment compared with the rest of the working-age population. The unemployment rate of 15–24 year-olds was 17.7% in Q2 2024 (see Chart 5) – higher than the unemployment rate of 25–49 year-olds (6.7%) and that of the over-50s (5.1%). While the youth employment rate was 35.2% in 2023 – the highest rate since 1990 – it was below that of the working-age population and young people hold fewer permanent contracts (42.1% compared with 76.4% for 25–49 year-olds and 76.2% for over-50s). The employment rate for women in France, at 66.0% in 2023, was still five points

[4] Source: SDES, Les professions vertes et verdissantes, des compétences essentielles à la transition écologique, *December 2021.*

lower than the rate for men (the OECD average is 13.7 points lower) and the gender pay gap was 11.6% in France for full-time employment (the OECD average is 11.4%). The situation is compounded by the motherhood penalty, including problems accessing childcare, which cause women to leave their jobs more frequently and for longer periods of time. According to INSEE (2024), the gender pay gap was 4% lower for comparable working hours and occupations in 2024.[5]

Chart 5: Employment rate and unemployment rate per age bracket (%)



Source: INSEE

To achieve full employment, the government is investing more in skills and improving the effectiveness and targeting of existing schemes.

The government is investing heavily in skills, particularly at local level, in order to meet businesses' needs and prepare for new requirements arising from the transitions in our economy. Given the positive outcomes of the *Skills Investment Plan*, the government has decided to extend the plan over the 2024–2027 period. A new round of *Regional Skills Investment Pacts (PRIC)* is being drafted and signed for 2024–2027. These address specific regional concerns and the nature of all local labour markets in order to meet their needs more effectively. Investments under the *"Training" component of the France 2030 Plan* will enable the government to prepare for future economic needs by developing the skills required to support the green and digital transitions and boosting innovation in strategic sectors such as low-carbon hydrogen, renewables and nuclear energy, food and agriculture, and healthcare under the "Future Skills and Jobs" scheme. These long-term investments will help to meet the challenges of the future and increase productivity.

The government has also started to streamline initial and in-service training for workers in order to make them more efficient and ensure that they better meet the needs of the labour market. The *vocational training reform* aims to help workers to upskill or reskill so they can increase their employability and productivity. The government is improving the cost efficiency of spending on Individual Training Accounts (CPF) and making workers more accountable for their training. In April 2024, the government introduced a mandatory co-payment of €100 for each training course. Jobseekers and other categories of claimants are exempt.

Investing in skills and streamlining training are primarily aimed at young people. The government has started to *reform vocational schools* in a bid to modernise vocational training programmes and bring them into line with the needs of the labour market, particularly in terms of the green and digital transitions. The reform will create a better fit between the skills and knowledge acquired at vocational schools and

[5] However, the "Écart de salaire entre femmes et hommes en 2022" study by Godet F. (2024) states that "the pay gap for an equivalent position cannot be interpreted as a measure of wage discrimination in businesses because it has not been corrected for differences in unobserved characteristics".

the labour market, strengthening ties between these schools and businesses. The *Apprenticeship Support Scheme* will continue, helping to align students' skills with labour market demands, while limiting windfall effects. Apprenticeship schemes have a positive impact on youth employment, especially among the least-skilled. In July 2023, the employment rate of apprentices with vocational certificate and diploma (CAP and BTS) level in 2021 was 71% two years after completing an apprenticeship, compared with 55% of high school students holding the same level of qualifications according to the DARES and the Directorate for Evaluation, Forecasting and Performance (DEPP).

The government is improving support for jobseekers and young people in order to encourage them to find employment and improve the quality of labour market matching.

Improved support for jobseekers through *France Travail* employment agencies. This reform started in January 2024 and is gradually being expanded to improve the efficiency of government employment agencies and provide better support for the longer-term unemployed (see Chart 5). The reform includes *additional support for claimants of the social inclusion benefit (RSA)* which will be implemented gradually across France starting on 1 January 2025, serving as a springboard for employment. Each recipient will be given a skills assessment and their needs will be outlined in a contract called a "jobseeker commitment". Solutions can then be tailored to individual needs and recipients will be better informed and directed towards sectors that are hiring and in-demand jobs. Coupled with other schemes promoting employment and the regional trial for zero long-term unemployed, this additional support will help jobseekers secure lasting employment.

To meet the specific needs of young people, the government is boosting support for long-term unemployed youth. Introduced in March 2022, the *Youth Employment Contract (CEJ)* provides a fully personalised employment pathway plan for up to 12 months, working together with local youth employment services and *France Travail*. The aim is to offer career guidance and help young people into work. It is open to young people aged 16 to 25 (or 29 for people with a recognised disability) who are not studying or in employment or training. A total of 277,500 contracts were signed in 2022 and 313,500 were signed in 2023. The government has set a target of 285,000 contracts for 2024.

Box 5: Rollout of France Travail employment agencies and new schemes under the Full Employment Act

The Full Employment Act of 18 December 2023 aims to increase the labour force participation rate and encourage people to return to employment.

Under the Act, a new agency called "*France Travail*" was set up on 1 January 2024 to replace "*Pôle Emploi*", with a broader remit. Several implementing decrees have since laid the foundations for the reform.

The decree relating to the establishment of the **National Employment Committee** was published on 22 March 2024. The aim is to establish a body for consultation and coordination with employment and inclusion stakeholders, focusing in particular on society's most vulnerable groups, i.e. young people, older workers and people with a disability. The committee is made up of employer organisations and labour representatives, local authority representatives, agencies, employment sector representatives and user representatives.

Following the trial started in spring 2023 in 47 *départements*, recipients of the social inclusion benefit will now have access to an employment pathway plan coordinated jointly by *France Travail* and the *départements*, plus additional support to assist with their return to employment and opportunities to engage with businesses at every stage in the process. Employment pathway plans are being reviewed and now include an individual skills assessment with each recipient's needs outlined in a jobseeker commitment contract in order to deliver tailored solutions to each worker. This personalised approach aims to remove obstacles to employment while addressing each individual situation through additional training, mobility support or improved career guidance to help people to move into in-demand sectors or jobs.

Deadlines will be outlined for *Département* Councils for commitments, employment pathways and skills assessments if jobseekers are not provided with a pathway within the specified timeframe.

The Act also introduces a number of major changes from 1 January 2025:

- Municipalities will be responsible for organising early childhood care and identifying local requirements.
- All recipients of the social inclusion benefit will be automatically registered with *France Travail* as soon as they file an application. The same applies to young people supported by local youth employment services and people with a disability supported by a *Cap Emploi* agency. All these people will be given assistance with finding employment under the same scheme with the same criteria and will receive a comprehensive assessment under the same framework.

Jobseekers will have to sign a commitment contract in accordance with the current requirements. The contract will include "an action plan detailing goals for social and professional inclusion" and a target will be set for 15 hours of activity each week (training, etc.) for jobseekers who need support or recipients of the social inclusion benefit. Penalties may apply if the contract is breached. In the months ahead, the government will issue a decree outlining the maximum amount of the social inclusion benefit which can be suspended or stopped under the new penalty system and the minimum and maximum lengths of time that recipients' payments can be cancelled if they continue to breach their contract.

The government is seeking to restore the value of work and bolster households' purchasing power.

Following on from the Bozio-Wasmer taskforce (2024), the government has started a *review into reducing social security contributions* to limit the risks of low-wage traps, particularly at minimum wage level, and streamline social security contribution rates. By removing the specific exemption brackets for health insurance and family allowances, the reform will focus on reducing contributions in areas that will create jobs. In addition, the reform will help to reduce marginal contribution rates and encourage higher wages.

For wage rises to flow through rapidly to households' purchasing power, especially low-income working households, the *minimum wage will be raised earlier than initially planned* by 2% on 1 November 2024. The government will also continue to encourage wage bargaining in sectors where the lowest pay rates are still less than the minimum wage.

The government will also encourage employee share ownership, bonuses and profit-sharing. These schemes aim to better reward employees financially for their role in a business's performance. They are not restricted to large corporations and can also be used by mid-tier companies, SMEs and VSEs, thereby allowing larger numbers of employees to share in the growth of their business. The aim is to promote a business model that is fairer and more inclusive, while boosting productivity.

To meet the specific needs of the agricultural sector, the bill for agricultural sovereignty and generational renewal will be completed. It will provide greater transparency about food retailers' profit margins and promote three-way agreements between farmers, processors and retailers, while also supporting them with climate change. In the medium and long term, the policy aims to make farming an attractive career again amid declining numbers of farmers and older average ages of people working in agriculture. Sustaining an agricultural sector which also provides employment is beneficial for both food sovereignty and green transition and biodiversity policies, where farmers have a role to play.

Talks will be held with the social partners by the end of the year to continue to overhaul the unemployment insurance system and create more incentives to return to employment.

Lastly, the government is fully committed to removing the structural obstacles to parenting and housing affordability.

Several reforms are under way to make it easier for new parents to return to work and achieve a work-life balance. Under the Full Employment Act of 18 December 2023, *a government agency for early childhood care (SPPE) will be established* to help parents, especially women and low-income households, to return to work sooner by

removing obstacles to finding childcare for parents of young children. From 1 January 2025, municipalities will be responsible for organising early childhood care. They will be in charge of identifying the care needs of families with children aged under three and keeping a record of local childcare facilities available.

Housing affordability is a government priority to remove obstacles to geographic labour mobility. The *new interest-free loan, which will be extended until 2027,* aims to help low-income households to buy a home, particularly in areas where there are labour shortages. To encourage construction, the "no net land take" regulations will be reformed on a case-by-case basis to make land more affordable. The standards governing new housing construction and renovation of older homes will be streamlined. *The "bail réel solidaire" leasehold arrangement and the Visale guarantee have been extended,* boosting secure tenancy and making it easier for low-income workers to rent a home. In terms of *social housing*, landlords will be required to review tenants' financial situations regularly in order to adjust rents based on their income and better target lowest-income tenants by providing easier access to social housing. Mayors will play a greater role in allocating social housing and prioritising needs in their jurisdictions.

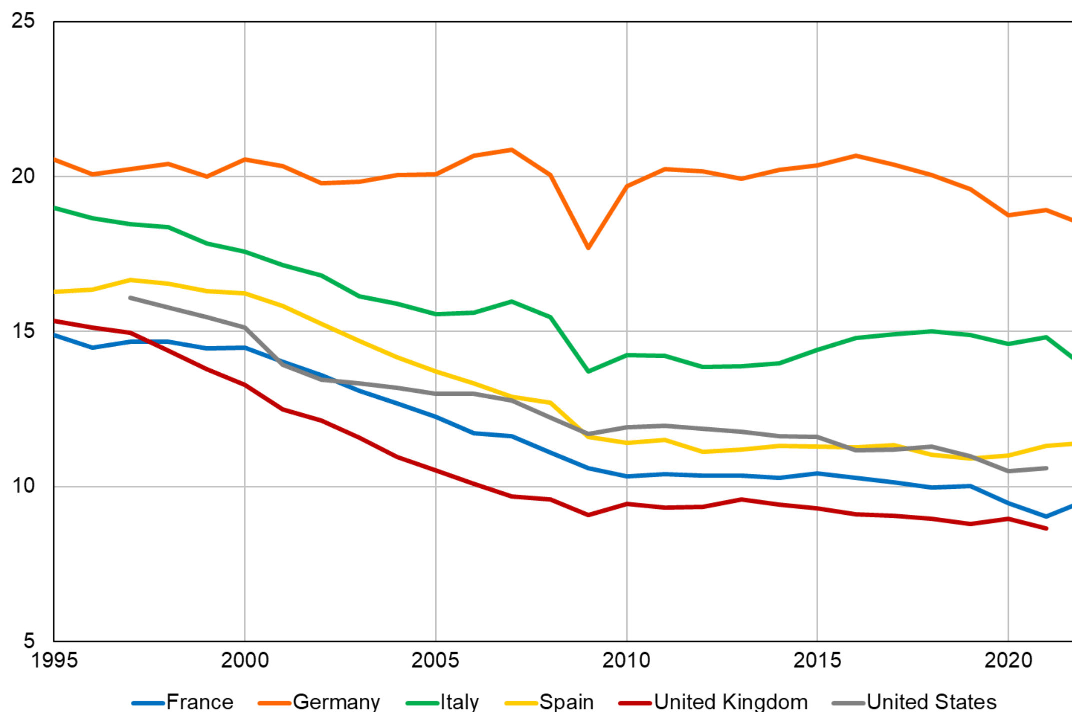
d) Reindustrialising the country by boosting competitiveness, innovation and R&D

To consolidate France's position in global value chains and build a sovereign economy, it is essential to boost the competitiveness of industries, encourage innovation and ramp up R&D efforts. Building on the strategy implemented since 2017 and the initial benefits of reindustrialisation and relocating high value-added activities, the government is continuing to pursue a bold agenda to modernise industry, support strategic sectors and encourage the emergence of cutting-edge technologies. The focus is on green reindustrialisation and developing the digital economy – the growth drivers of tomorrow. This priority policy area, combined with employment and decarbonising the economy, aims to combat productivity decline and meet current and future challenges, as highlighted in the Draghi report (2024).

Our manufacturing industry has become more competitive in recent years, driven by the government's bold strategy to speed up the reindustrialisation of the economy.

As competition from other countries becomes more intense, especially from emerging economies, France's price competitiveness and non-price competitiveness have been in decline since the 1980s. Similarly, the servitisation of the economy, the structural decline in relative prices of manufactured products due to significant productivity gains and the increased competitiveness of emerging countries have all contributed to a decline in the share of industry in value added from 20% in 1980 to almost 10% in 2022. While this has been happening across all advanced countries, France has been harder hit than other major industrialised nations (see Chart 6). A total of 2.5 million manufacturing jobs have been lost in the past 50 years. Because industry was the main driver of increased productivity, innovation and our strategic autonomy, this decline has affected our growth potential and employment nationwide.

Chart 6: Share of the manufacturing industry in value added (%) – International comparison



Source: OECD

Note: It is nonetheless important to note that the manufacturing value added of other European countries may be overestimated compared with French data because of different statistical methods. If the same methods are used, the difference between the share of the manufacturing industry in France and Germany's economy is almost halved (Source: INSEE).

To increase France's price competitiveness, corporate tax rates have been cut. Initially introduced to improve the competitiveness of French businesses and stimulate employment, the *Competitiveness and Employment Tax Credit (CICE)* is now a permanent measure reducing employer contributions. The CICE has lowered labour costs for low wages and encouraged businesses to hire staff, especially in high labour-intensive sectors. *The corporation tax rate* in France was among the highest in the OECD and has gradually been cut from 33.33% to 25%, on a par with our main trading partners, thereby stimulating investment. Higher corporation tax rates were noted for the first time in OECD countries in 2023. This trend may provide some margin to temporarily raise corporation tax rates for large firms to contribute to fiscal consolidation without undermining France's appeal. Meanwhile, *taxes on production*, which were harmful because they distorted business competitiveness, particularly in the manufacturing industry, have been cut by €15bn, with reductions to the business premises contribution (*CFE*) and the property tax on developed land (*TFPB*) for manufacturing facilities. In addition, the ceiling rate of the local economic contribution (*CET*) has been reduced from 3% to 2% and the rates of the contribution on business value added (*CVAE*) have been lowered several times.

Thanks to these reforms, the price competitiveness of French businesses held steady between 2019 and 2023 despite successive crises. France's export prices increased with the rise in energy prices due to the post-COVID recovery and Russia's invasion of Ukraine, but export prices rose at the same rate as its competitors and France's price competitiveness has not been undermined.

In terms of France's non-price competitiveness, the business environment has improved and the government has invested heavily in modernising our manufacturing industry. First, administrative processes and procedures have been streamlined to boost investment under the *Government Action Fast Tracking and Streamlining (ASAP) Act* and the *Business Growth and Transformation Action Plan (PACTE) Act*.

These acts make it easier for businesses to open new manufacturing facilities with fewer filing obligations. Second, the government has invested significantly in modernising France's manufacturing industry nationwide and boosting innovation. The €20bn *France High-Speed Broadband Plan* has set bold objectives to support the digitalisation of the economy, guaranteeing the entire population access to high-speed broadband by 2025. At end-2023, an additional 5.2 million households and business premises had become eligible for fibre broadband compared with 2020. The fibre rollout rate was 87.5% in March 2024. The €54bn-plus *France 2030* Investment Plan provides long-term support to transform the manufacturing industry, funding innovative projects in strategic sectors like healthcare, energy, aeronautics and space. Meanwhile, the national *Industry in Regions* programme has been rolled out in 146 local areas to re-establish and boost existing industries. The programme is supporting 183 projects over the 2023–2027 period in order to increase the appeal and competitiveness of industrial areas. Lastly, the *Research Planning Act* has provided increased funding for public research and helped to transfer innovations developed in research labs to the manufacturing industry. This act in particular will not be removed from the budget.

We are starting to reap the benefits today, with reindustrialisation well under way and the French economy becoming appealing again to foreign investors. According to the EY Europe Attractiveness Survey for 2024, France has been the leading host country for FDI projects for five years in a row, with 1,194 foreign investment decisions announced. France was also ranked the No. 7 host country in the world for incoming FDI in 2023, totalling €39.1bn. This is the highest figure since 2015, with the exception of the 2022 record of €72.7bn in incoming FDI. Announcements made at the 7th *Choose France Summit* in May 2024 included 56 FDI projects worth €15bn and 10,000 new jobs. This is on top of the 130,000 manufacturing jobs created since 2017. In 2022 and 2023, there were 377 net openings of plants in 12 regions of mainland France. One example is the Crolles semiconductor factory, which came on line in June 2023, representing an investment of €5.7bn and 1,000 jobs in the longer term. This will double the production capacity of a component that is crucial for the resilience of European industry, which relies heavily on imports at the moment.

The push towards reindustrialisation requires ongoing investment in innovation to meet the challenges of the green economy and digitalisation.

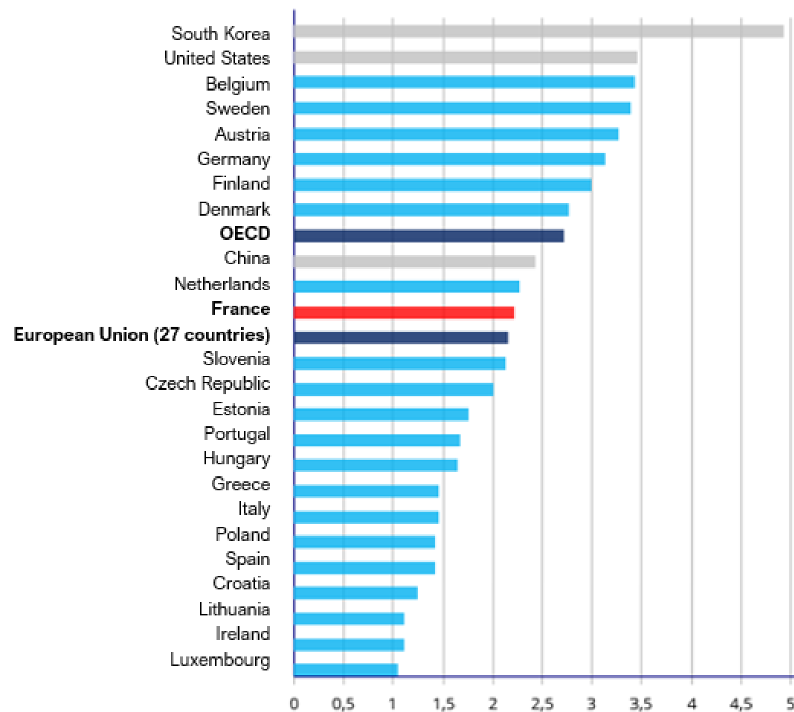
Despite the trend in decreasing emissions, the manufacturing industry is still one of France's largest emitters. Manufacturing industry emissions are concentrated in a small number of sectors and sites, with 50 sites accounting for 60% of emissions. We will need to use all the major decarbonisation measures to reduce France's emissions, including improving energy efficiency, lowering the carbon intensity of inputs (electrification, use of bioenergy), lowering emissions from processes (e.g. reducing the percentage of clinker in cement), saving energy and changing our energy consumption, and developing the circular economy and carbon capture and storage (CCS).

Yet, shifting to a low-carbon economy unlocks potential for new industries. Some, like electric batteries to power sustainable mobility, are already established, while others, still in their infancy – such as low-carbon aviation – are set to become major growth drivers, creating thousands of industrial jobs and high-value added production. To attract and retain investors and create the right environment for businesses to thrive, this transition requires both financing and streamlined processes: cutting through administrative red tape, reducing lead times for setting up industrial facilities – currently at 17 months on average – and facilitating access to land.

Digitisation and increased investment in R&D are also essential to strengthen France's economy. The September 2024 France Num Survey, which measures perception and use of digital technology,[6] shows a slight improvement in digital adoption by VSE-SMEs. 85% now have at least one online visibility and sales solution, up 1 point from 2023, with a particular focus on social media. 79% of VSE-SMEs have a dedicated budget for digital technology, which is comparable to 2022. Although French companies as a whole are currently within the European average for adoption of new information and communication technologies,[7] SMEs are slower to embrace essential digital tools – which negatively affects their productivity. For example, in 2023, 68% of companies in France with between 10 and 249 employees had a website or mobile app. The European average was 78%.[8] French investment in R&D is low by international comparison. In 2022, France spent 2.2% of GDP on public and private R&D. This is above the European average of 2.1%, but 0.4% lower than China's 2.6% spend and 1.4% less than the United States' 3.6%[9] (see Chart 7). To boost their competitiveness and avoid falling behind in the long term, companies must be incentivised to invest more, especially in the sectors of the future, as proposed by Mario Draghi in his 2024 report calling for Europe to close the innovation gap.

[6] France numérique (September 2024), Baromètre France Num 2024 (in French) (link).
[7] French Treasury (November 2020), Digitalisation in France's business sector, Trésor Eco No. 271.
[8] Data sourced from the survey "ICT in European companies", available in the Eurostat database "Websites and functionalities by size class of enterprise (isoc_ciweb)" (link).
[9] OECD, Science, Technology and Innovation scoreboard

Chart 7: International investment in R&D (% GDP)



Source: MSTI file 2023-2, OECD and Eurostat

The main aim of government strategy is to continue the pace of major public investment to upgrade France's industrial base.

The France 2030 Plan marks a shift in French industrial policy to promote innovation and support for the green transition. Industrial policy in France and in Europe from the end of the 1990s focused on the use of "horizontal" economy-wide instruments open to all companies. The aim was to create a supportive environment to enable innovation to thrive and to boost competitiveness. The France 2030 Plan breaks with this approach. Instead of a broad sweep, the plan focuses on targeted industrial strategies, prioritising sectors with high growth potential that are critical to address the challenges of the economic and social transition. The plan's aims and measures cover the entire value chain, from fundamental research to innovation and the revitalisation of industry. And with €31bn in funding committed at end-May 2024 (see Box 6), spending under the France 2030 Plan continues to ramp up. Money will also flow to bridge the R&D investment gap and accelerate the greening and digitisation of the French economy. For example, the *5G and Networks of the Future* call for projects will help create solutions to secure telecommunications network sovereignty and enable end-to-end control of these solutions.

Box 6: Rollout of the France 2030 Plan

The France 2030 Plan is a "vertical" industrial policy tool to transform the economy through innovation. Two overarching objectives form the backbone of the plan: decarbonising the economy (allocated 50% of plan expenditure) and accelerating the growth of start-ups and emerging sectors (also 50% of the budget). None of the spend will be for projects harmful to the environment.

According to the 2023 Annual Report[10] issued by the Secretariat General for Investment (SGPI), the France 2030 Plan had helped finance 3,650 projects for 4,200 beneficiary organisations at 31 December 2023. 66% was allocated to SMEs and VSEs, 16% to large corporates, and 19% to research bodies, local authorities and government-funded institutions.

Loans under the plan aim to drive growth in the French economy and create jobs by making industry more competitive and supporting new and emerging technologies. With a total budget in excess of €54bn, the plan also invests in upskilling the workforce, with some 34,000 new training places made available since 2022. The report also points to the results in the area of innovation: 4,621 intended patent filings were recorded in 2023.

The France 2030 Plan supplements sector-specific investment policies in strategic industries. The €7bn Healthcare Innovation 2030 Plan strengthens France's biomedical research capacity, provides support for large-scale manufacture of healthcare products in France and fosters the growth of healthcare companies. Among its main measures are strategies to accelerate biological therapies and bio-production of innovative therapies, digital health and emerging infectious diseases. Turning to AI, phase 2 of the National AI Strategy earmarks €1.5bn over the period 2021-2025. Investment will go into training and measures to boost French R&D's potential to contribute to this technological revolution (see Box 7). Results of the strategy include the creation and development of a network of interdisciplinary AI institutes, support for establishing excellence in AI chairs, and increased investment in the calculation capacities of public research. The AI Committee formed by the government to "help put France at the forefront of the AI revolution" issued its report outlining its AI vision for France (IA : Notre Ambition pour la France) in March 2024. The report stresses that France's national technological sovereignty will depend on mastering the fundamental algorithms underlying AI and developing new uses for AI adoption by businesses across all sectors. The IMF estimates that artificial intelligence could add 0.8 percentage point to global GDP growth.[11]

Box 7: National AI strategy

Following the publication of the 2018 report on a national and European AI strategy (*Donner un sens à l'intelligence artificielle : pour une stratégie nationale et européenne*), the government launched a National AI Strategy (SNIA) in 2018 as part of the France 2030 Plan. It aims to position France as a European and global leader in artificial intelligence, protect and consolidate the country's economic, technological and political sovereignty in this technology whose effects will ripple through the economy and society. The strategy is in two phases.

Phase 1 (2018–2022) aims to strengthen French research capacity.

The €1.85bn for Phase 1 has funded:

- the creation and development of a network of government-approved and publicly funded interdisciplinary AI institutes (3IA);

[10] Secretariat General for Investment, 2023 Annual Report (in French), June 2024
[11] Kristalina Georgieva, "Managing Director's Remarks: United Nations' Summit of the Future", 22 September 2024

- PhD programmes and AI chairs to develop excellence in AI (40 chairs established with a total budget of €22m);
- the Jean Zay supercomputer.

The aim of phase 2 (2021–2025) is to expand the use of AI technologies across the economy

This second phase sets out to support development and innovation in targeted priority areas, including embedded AI, trusted AI, frugal AI and generative AI. Phase 2 is structured into three strategic components:

- Support for deep tech, especially prototype or development projects in frugal, embedded or trusted AI;
- Training and attracting talent, for example by investing in training and funding students in the nine "AI clusters" created to succeed the 3AI institutes;
- Reconciling supply and demand for AI solutions, by supporting SMEs and VSEs in adopting AI solutions to boost their competitiveness.

The recent report on France's AI objectives, (*IA : Notre ambition pour la France* (March 2024),[12] submitted to the government by the AI Committee, chaired by Philippe Aghion and Anne Bouverot, highlighted the crucial importance of AI to increase productivity in the medium and long terms.

These investments align with the broader EU industrial strategy to build a more robust and resilient economic base, championed by France at the 2022 informal European Council summit hosted in Versailles (2022). This drive to strengthen our strategic autonomy forms part of the priorities that will shape the new EU Commission's policy agenda for the period 2024–2029. Ten Important Projects of Common European Interest (IPCEI) have been approved to date for investments in strategic value chains, including batteries, microelectronics, hydrogen, cloud computing and healthcare. The European Council and Parliament have also agreed on an instrument to respond to future crises, the Internal Market Emergency and Resilience Act (IMERA). Key legislation published since the first half of 2024 include:

- the Critical Raw Materials Act (May 2024) to secure access to critical raw materials and encourage their production, processing and recycling in Europe;

- the Net-Zero Industry Act (June 2024) to boost the continent's clean technology industries and support the energy transition.

These are major advances and France is committed to actively contributing to the EU's transition to a greener future, making sure that measures are socially and economically acceptable, and that our trading partners also uphold the same environmental standards. This also involves innovative and large-scale investment in sectors that are critical to the European Union's industrial sovereignty and its standing in the world: digital technology, healthcare, space and defense.

A series of reforms are also intended to encourage and better guide private investment.

The government uses innovative instruments to channel private-sector investment towards industry and the green transition. The green industry tax credit (C3IV) is one of the most powerful incentive measures in Europe. It came into force in March 2024 as part of the push to increase investment in green technology and infrastructure, boost innovation and accelerate the transition to a more sustainable economy. 20 approval applications for investments totalling €1.8bn had been received by mid-2024 covering all four sectors (batteries, wind turbines, solar panels and heat pumps). The C3IV is projected to attract €23bn in investment and create 40,000 direct jobs by 2030. It should also reduce emissions by a cumulative 35 million tonnes of CO_2 by 2030. Private household savings could also be channelled into green industry investments.

Lastly, to be more competitive, we are also cutting red tape and removing bureaucratic hurdles across the economy.

[12] *IA : Notre ambition pour la France,* report of the AI Committee (March 2024, available in French, link)

The government is continuing to streamline regulations. The Green Industry Act sets out to simplify procedures and reduce timeframes for making land available for industry and rehabilitating brownfield sites, and thereby fast-tracking the setting up of new industrial facilities. It will also make it easier to obtain environmental authorisations, which in turn will reduce permitting time by half – from 17 months in 2023 to a target nine months. This will eliminate the lengthy timeframes that can be a hindrance to setting up new factories in a fiercely competitive global market. Two implementing decrees were issued in July 2024 under the Act to fast-track release of land for industrial development and new factories by expediting the environmental permit process.[13] Just like households, industry stands to gain from the more pragmatic approach to sustainable land in the No Net Land Take regulation. Definitively adopted at the beginning of June 2024, the *Act aimed to increase corporate financing and make it more attractive to set up in France.* It will facilitate companies' access to finance by diversifying their investor base. This will make it quicker, easier and less costly to raise funding. In the same vein, the *"Simplifying Economic Life Bill* to tackle bureaucracy makes it easier to set up an industrial facility and lightens the administrative burden – especially for small businesses. For example, one initiative aims to gradually scale back standardised administrative forms (known as CERFA forms), in response to a need identified during direct consultation and discussions with business leaders during the first half of 2024. As a result, business owners will spend less time on paperwork and more time running their business.

e) Guarantee access to high quality public services

Delivery of good public services is not only what people expect, but is essential to build social cohesion and develop the economy. A series of reforms in education are designed to promote equal opportunities, improve academic performance and make the teaching profession more attractive as a career with a view to fostering innovation and growth. Priorities in healthcare include addressing underserved areas (known as "medical deserts") and the shortage of medical personnel. New technologies can help to improve the supply and quality of care. As we continue to transform the economy, addressing inequality by ensuring that everyone has equal access to quality public services is essential for social justice. But beyond this fairness aspect, it also enhances prosperity by promoting inclusive growth.

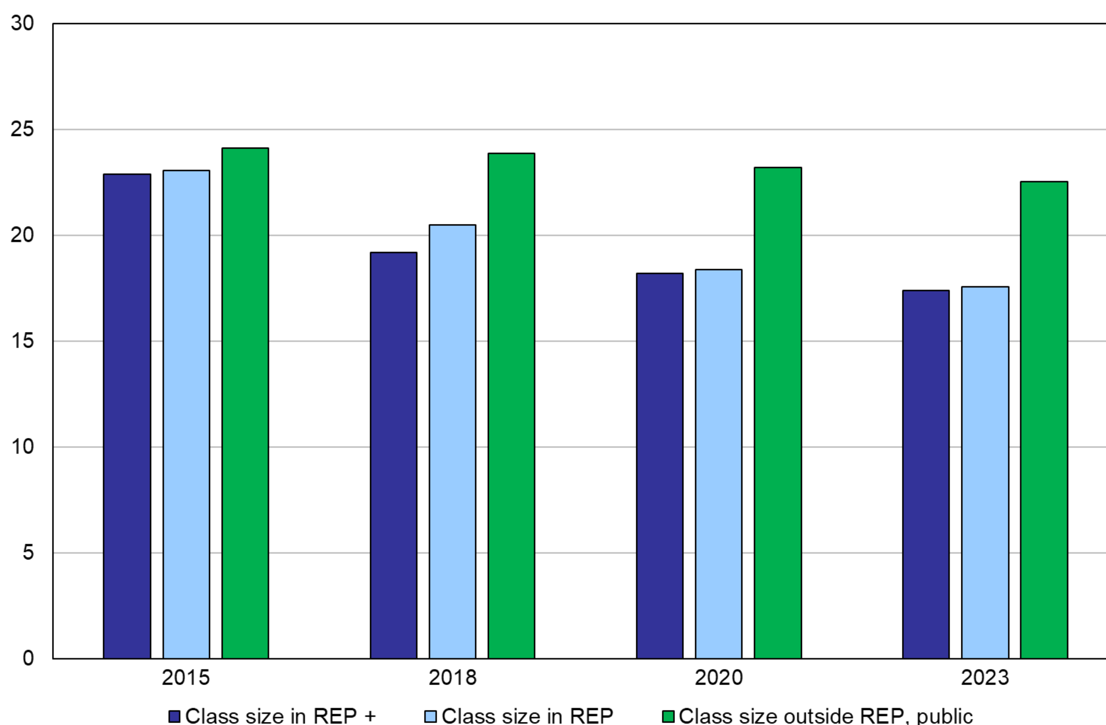
A major drive was initiated in 2017 to overhaul education and create a more inclusive system to improve outcomes for the most disadvantaged groups.

Sitting right at the heart of the "*pacte républicain*", the set of principles and values that underpin the French Republic, education is key to developing human capital and reducing inequality. Education is also a driver of social mobility. Improving educational achievement is essential for innovation, better productivity and economic growth. In 2017, the government made education a top priority, from nursery school to higher education, and announced a series of reforms aimed at improving equal opportunities and ensuring everyone can reach their full potential.

Primary education was the first target with more resources to tackle and break the cycle of social inequality early on and improve educational outcomes. The more education policies are targeted at young children, starting in nursery school, the more effective they are. From the start of the 2017-2018 academic year, classes in year one and year two of primary school were split to reduce class sizes in the priority education network. This was then extended to the last year of nursery school in priority education areas as from the start of the 2020-2021 academic year. At the start of the 2024-2025 academic year, 100% of these three classes (last year of nursery school, years one and two of primary school) in priority education areas had been split (see Chart 8). France is one of the very few countries to introduce compulsory education from the age of three (in 2019). And children as young as two are encouraged to attend in high priority education areas through preschool programmes.

[13] Decree 2024-704 of 5 July 2024, amending the Urban Planning Code and the Environment Code, to promote new green industries in France, and Decree 2024-742 of 6 July 2024 implementing various provisions of the Green Industry Act and simplifying environmental regulations

Chart 8: Reduction in class sizes in the network of priority education areas (REP) and high priority education areas (REP+)



Source: *Evain F., 2024, "Taille des classes du premier degré : une septième année de baisse consécutive", (Class sizes reduced in primary school for the 7th consecutive year). Briefing Note 24.01 Directorate of Evaluation, Forecasting and Performance Monitoring (DEPP)*

To reduce inequality and create an environment conducive to learning, the government redrew school districts to create a more diverse student population in middle schools and high schools, pairing schools with children from different socio-economic backgrounds. The initial results at the start of the 2022-2023 academic year from this grouping into sectors of 115 schools involving almost 9,000 students suggest a reduction in inequality of academic results according to social background. The *"Help for Homework"* programme is another measure to level up education outcomes and reduce inequality, which tend to be reinforced outside of school, by providing more support to students. In addition, special "academic success" classes are offered during school holidays to give the most disadvantaged children a leg up.

The government has also invested significantly to improve educational access for children with disabilities. More than 515,000 students with disabilities will be enrolled in schools and educational establishments in France in 2024. Budgets for inclusive education have been increased by 60%. As well as setting up special classes, more teachers have been trained, and more special needs assistants hired, (140,000, a 50% increase in the period 2017 to 2022).

Teachers' pay has increased significantly to attract more people to the profession.

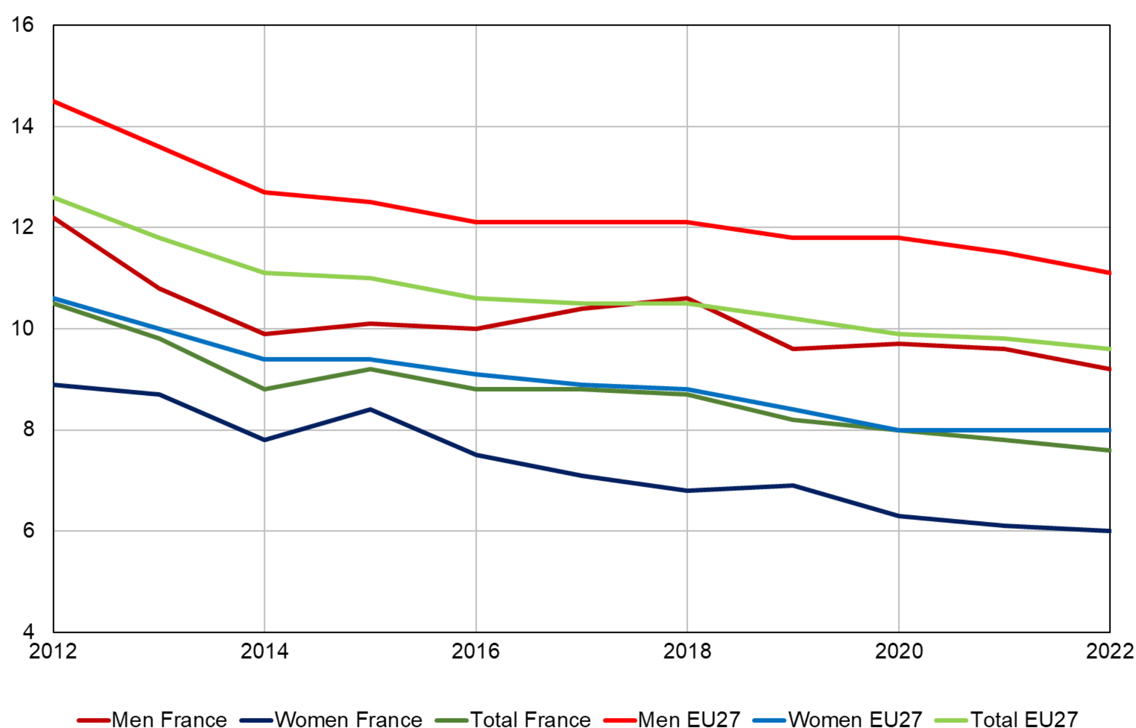
A series of unprecedented pay rises from 2020, including the significant increase in 2023, resulted in an additional €7.7bn for teachers between 2020 and 2024, with €4.8bn in 2023–2024 alone. There are two components to the upgraded pay scales: *basic pay* (€1.9bn) increased 10% on average on 1 September 2023 compared to the start of the 2020-2021 academic year. Newly qualified teachers are now guaranteed a minimum starting salary of €2,000 per month, after tax. The second component, the "Pact" (for a total of €1 billion) is conditional on teachers taking on additional duties and responsibilities. Teachers are also included in the *increase in the civil service pay scale* (€2.4bn) and the increases totalling €1.7bn announced at the *Grenelle Education Forum* in 2021–2022.

Taken together, these measures have helped reverse the downward trend in academic results.

Students in French schools achieve results close to the OECD average. But the initial effects of government reforms are evident in the latest results showing a marked improvement in core subjects. According to the 2022 PISA (OECD Programme for International Student Assessment) survey data and assessments in 2022 as part of the 2023 TIMMS (Trends in International Mathematics and Science Study) cycle, student performance dropped in the majority of OECD countries, including in France. More recently, the Directorate for Evaluation, Forecasting and Performance (DEPP) found a shift in this trend. Students scored higher in French and in mathematics at the start of the 2023-2024 academic year compared to 2017. This improvement is across the board, for both the lowest- and highest-performing students, with the proportion of students in the lowest-performing group decreasing by 4.7 points in 2023 compared to 2017.

France has effectively ramped up efforts to lower school dropout rates. Dropouts have fallen more than in other European countries over the past 10 years (see Chart 9). We are below the European average for early school leavers. 8% of 18-24 year-olds have no academic qualification and are not in training as against 9% on average in the EU, 11% in Italy and 13% in Germany.

Chart 9: School dropout rates since 2012 compared with the EU average



Source France: Insee, Employment surveys; estimates and extrapolations by the DEPP, Min. Ed. And Min. Higher Ed. Research and Innovation data

Source EU-27: Eurostat site, Labour Force surveys, Eurostat calculations, June 2023

Improving initial and in-service teacher training and career prospects to better support them throughout all stages of their career is a government priority.

Career-long training and support are essential to keep skills up to date and learn from seasoned colleagues. The government supports the consolidation of the preparatory course for primary school teaching (PPPE). For in-service training, it is providing additional resources to strengthen teachers' linguistic, mathematical and critical thinking skills through three plans: *French, Mathematics,* and in 2024, Nursery School.

Improving career prospects for teachers is also the focus of attention with a range of targeted measures to attract and retain teacher talent. Promotion rates between 1st (generalist, teaching at primary school, ages 3-11) and 2nd (more specialist, teaching at middle schools, ages 11-15) level school teachers have progressed and are set to rise further between now and 2025. More flexible criteria for promotion to the next highest rank in the profession, "*classe exceptionnelle*" have also been introduced. And to deepen and broaden the pool of candidates keen to put their skills to work in the classroom, competitive teacher training selection criteria now take experience in the private sector into account.

Curriculum overhaul continues to strengthen students' grasp of core subjects.

These measures to improve core skills in reading, writing and maths (*Choc des savoirs*) first involved the reintroduction of maths in general high schools at the start of the 2023-2024 academic year which will be followed by new French and maths programmes in middle schools at the start of the 2025-2026 and 2026-2027 academic years.

The quality of learning is also in the spotlight. Teaching practices are changing to encourage innovation and be more attuned to students' needs. Dedicated funding has been set aside to promote innovative approaches to teaching and learning. Under the auspices of the National Council for Refoundation (CNR), formed in 2022, a special €500 million *Educational Innovation Fund* was set up to encourage initiative in schools and fund innovative

programmes with significant teaching content. 10,000 projects are currently underway in 60,000 schools and colleges. Under the terms of the "Teachers' Pact", 1st level teachers can also volunteer to coordinate or lead innovative teaching projects in their school.

Significant investment is directed at reducing educational inequality, notably through improved career guidance and better distribution of resources according to student needs.

Children in years seven and eight were divided into needs-based groups in maths and French from the start of the 2024-2025 academic year. This grouping by needs allows teachers to tailor instruction to students' individual needs more effectively in small groups.

Career guidance is also being enhanced to further reduce higher education dropout rates and better steer students towards courses with good job prospects and roles that are in demand in the economy. Career guidance hours have been increased in middle schools with a "careers week" for year seven to year ten students, then in high schools where students are allocated 54 hours in the school year for personalised guidance and to explore career options. At the end of year eleven any students not taking part in an ERASMUS + programme can opt for a work placement. Since the start of the 2023-2024 academic year, information on employment rates and further education after training courses is posted on the main career guidance platforms, Inserjeunes (for young vocational and apprenticeship training students), and InserSup (for higher education graduates).

Building a better healthcare system involves fighting "medical deserts" and tackling staff shortages and improving how hospitals work.

The first step is to increase the supply of doctors and healthcare staff. Education in health is being radically overhauled. The new specialised one-year PASS programme and the *licence* programme with a minor in Health (L.AS) will improve training for future healthcare professionals and lay the foundations for tomorrow's healthcare system. These reforms aim to offer more paths to medical studies for more people. In addition to replacing an admission system designed to restrict the number of medical students with an open admission system, these new entry courses will increase and diversify the pool of medical students. The *number of interns trained will also increase*, from 8,500 in 2024 to 11,000 in 2025. Special "medical and pharmacy" residency permits could be issued to *professionals trained outside the EU* who work directly in the public sector. The move would boost healthcare capacity nationwide, while recognising their vital contribution to our hospitals and healthcare system. We are also making it easier for retired physicians to work part-time. A new bill aims to expand nurses' role and give greater recognition to their expertise and skills, an approach that could also be extended to other practitioners.

The next step is to deliver better nationwide healthcare cover. Improving access to care revolves around shifting to an increasing number of multidisciplinary health centres to provide coordinated patient care locally. There were 2,500 such multidisciplinary practices in operation at the end of 2023. Policy also aims to improve cooperation between professionals, including general practitioners, pharmacists and specialists, through a project to optimise healthcare pathways, and multi-year resource and performance contracts with regional health agencies. The "*Hippocrate" programme* is a new government initiative to provide state and local authority financial support to French and foreign interns to work in underserved areas of the country. To relieve the pressure on emergency departments, patient referrals will be improved by expanding the urgent healthcare service (SAS) over the remainder of 2024.

Digital tools are also key to expanding healthcare provision. Using Telemedicine tools, patients can book phone or video appointments. The technology is especially valuable to ensure everyone has a GP and for people living in rural or remote areas with limited access to medical services. Rather than replacing traditional medicine, telemedicine can facilitate access to healthcare locally, alleviate shortages of medical staff and supplement the services offered by facilities in remote areas. Digital tools revolutionise the work of health professionals, giving them more time to spend treating and monitoring patients. Launched in 2022, the electronic health record, *Mon espace santé,* is available to more than 95%

of the population. More than 20 million documents are deposited on the platform every month.

Building a better healthcare system also means strengthening prevention to lower risks, improving screening and minimising the avoidance or delay of medical care. To tackle barriers to care, dentures and hearing aids are fully covered for everyone under the *"100 % Santé"* scheme. In 2023, this policy provided full coverage to over four million people, marking significant progress in equal access to healthcare. The new healthcare blueprint, National Healthcare Strategy 2023-2033, builds on experience acquired during the pandemic and takes account of changing patterns of pathologies and chronic diseases. Incorporating the need to develop initiatives targeting health education, vaccination and the promotion of healthy lifestyles, the overarching aim is to gain a deeper understanding of risks to strengthen protection for ourselves and our environment. Based on the integrated "One Health" model of healthcare, the Strategy seeks to empower people to actively protect their health and create a healthy environment in all areas of life, including schools. The priorities are to educate and inform people about the state of our environment, how best to protect our own health and that of the ecosystems, reduce environmental exposure that could adversely affect human and ecosystem health, and to ramp up practical health promotion actions on the ground throughout the country. We are facing an unprecedented increase in mental illness, affecting one in five French people. Mental illness is the leading health insurance cost. Post Covid, which stamped a lasting mark on some people, especially the very young, mental health will be a top government priority in 2025.

Reshaping our economy for the future demands that we confront inequality head-on.

The rolling series of crises and radical shifts as we face the challenge of the twin green and digital transition necessitate change across the economy – in employment, mobility and consumer habits – which may leave some households vulnerable and needing support. Our response is as much about fairness and social justice as about promoting prosperity and inclusive growth.

The government has consistently committed significant resources to tackle the inequality created or exacerbated by these crises. Targeted financial relief for people and businesses during the pandemic and the cost-of-living crisis sparked by rising energy costs included the fuel rebate, capping gas and electricity prices, and targeted food and energy payments. These support measures helped boost the purchasing power of the bottom and middle deciles of the population, making up for more than 40% of lost income for the 30% of the poorest households and 15% of lost income for middle-income earners in the period 2021–2022.

The government is also focused on implementing structural policies to ensure inequality is not perpetuated over time, especially gender inequality. President Macron has made gender equality one of the defining issues of his second five-year term. The five-year Interministerial Plan for Gender Equality 2023–2027 sets out 100 measures to move the dial, including extending the Equal Pay Index to the entire civil service in 2023 (a tool used in private-sector companies with more than 50 employees since 2018). As well as transparency on pay, since 2021 legislation requires gender balance in senior management of large companies. Companies must achieve a minimum target of 30% women and men (whichever is the underrepresented gender) in senior management positions and 30% in governing bodies by 1 March 2026, rising to 40% at 1 March 2029.

Thanks to this measure, France now tops the European Union league table with the highest proportion of women on the boards of large listed companies: 46% in 2023, compared to the EU average of 34%. But we need more than numbers to stamp out prejudice and embed equality: the culture must change. In this respect, the five-year Interministerial Plan for Gender Equality 2023–2027 provides overall support for 10,000 young women to have careers in the digital and tech sectors.

Effective delivery of quality public services is essential to provide the public with the support they need and create cohesive communities.

As we face sweeping changes across society, modernising our public services is a priority in order to create an efficient and effective public service that works for employees and the public alike. Following on from the previous Interministerial Government Transformation Committee (CITP) meeting on 23 April 2024, reforms will focus on cutting red tape, streamlining bureaucracy and simplifying procedures. One of the main aims is to reduce administrative complexity in response to feedback from the field, which will benefit users and public servants alike. In tandem, we are strengthening basic public services, to facilitate access and make more available locally. The network of community-based one-stop-shops, *Maisons France Services,* continues to expand. With more than 3,000 nationwide, people can go to a centre close to where they live for most of their administrative procedures and get help when they need it. To better serve the public, offer new services and ease the burden of routine tasks on staff, the government is working on a proactive digital and data strategy that leverages the advances in disruptive technologies such as AI. New technologies provide an unrivalled opportunity to work better and respond quickly and efficiently to users, both online and in person.

We are committing specific investments to Overseas France to maintain social cohesion and reduce inequality.

The focus is on measures to alleviate the high cost of living, improve everyday life and provide opportunities for young people. At the end of 2023, a mere four months after its formation, the *Interministerial Committee for Overseas France (CIOM)* reported that 10 measures were already in effect and 15 were being finalised. Among these, the increase in student grants is the largest in 10 years to take account the specific situation of French overseas students. They will receive the same increase as students in mainland France (€37 to €127 a month), topped up by an additional €30 monthly. Government grants for renovations for home owners on low incomes have risen from 35% of the cost to 50%. The scheme is administered by the National Housing Agency (ANAH). The government is working hard at all levels to resolve the crisis in New Caledonia and address the challenges facing all our French overseas territories. In Q1 2025, the Interministerial Committee for Overseas France will work towards developing their agricultural, forestry, marine and energy resources to directly benefit their people.

Economic outlook

France's output is set to grow by 1.1% in both 2024 and 2025

In 2023, GDP growth was also 1.1%.[14] It was supported in particular by a significant rise in exports, ongoing strong momentum in business investment and moderate growth in household consumption.

In 2024, growth is set to remain solid at 1.1%, despite the relatively sluggish international environment and the impact of previous rate hikes on investment. Inflation is likely to fall to 2.1% on average during the year.

At the end of the second quarter of 2024, the carry-over growth was 0.9%. However, the composition of growth differs from the Stability Programme forecast (April 2024), which particularly reflects revisions to national accounts. Output is mainly being supported by foreign trade and public-sector demand. The household savings rate remains significantly above its pre-pandemic level and private investment is being held back by the impact of monetary tightening.

In the third quarter, the economy is likely to accelerate because of the positive economic and accounting effect of the Paris Olympic and Paralympic Games related to the recognition of sales of tickets and audiovisual rights in that quarter. Consumer confidence, which hit exceptionally low levels in early 2023, is continuing to recover, indicating that household consumption will be more buoyant in the second half of 2024. Overall, survey results published in September suggest that growth will be slightly lower than average in the coming months.

CPI inflation has continued to fall in 2024 and is expected to average 2.1% in 2024 after 4.9% in 2023 (see Table 2). As past wage increases continue feeding through gradually into prices, service prices are expected to keep rising quickly but are unlikely to accelerate. Leading indicators such as producer and import prices suggest that prices of food and manufactured goods are stabilising. Rising energy prices are likely to slow down, due in particular to lower prices of oil products.

The wage bill growth is expected to be 2.9% in 2024. Growth in salaried employment in non-farm market sectors is expected to stand at 0.3% on average in 2024 and growth in average wages per capita at 2.8% in nominal terms.[15]

The global economy is expected to grow by 3.2% in 2024, similar to the 2023 rate.[16] Growth in the euro area, having been limited to 0.5% in 2023, is likely to be slightly stronger in 2024 at 0.8% due to lower inflation, although growth is expected to vary widely between the area's major countries. France's main trading partners are still seeing modest growth, primarily Germany, which is likely to limit growth in global demand for French goods and services to 0.9%.

In 2025, growth is expected to remain at 1.1% but should be driven mainly by domestic private-sector demand against a backdrop of falling inflation. Inflation is likely to fall below 2%, averaging 1.8% during the year.

In 2025, the French economy is likely to be supported mainly by faster growth in household consumption, due to the continued decline in inflation along with past and present increases in purchasing power. This should result in a moderate decrease in the household savings rate, although it is expected to remain well above its historical average. Household and business investment, after a significant fall in 2024, is likely to improve slightly due to the improvement in financial conditions. The international environment is expected to be more dynamic, prompting exports to accelerate. These supportive factors should cushion the economic impact of France's fiscal consolidation, as should efforts to target measures on the least effective areas of expenditure and taxpayers who are able to bear more of the tax burden.

Inflation is likely to continue falling in 2025, averaging 1.8% during the year, and should be driven mainly by service prices. Food prices are expected to be stable overall and energy prices should fall, particularly electricity prices. Prices of manufactured goods are likely to rebound slightly assuming that increases in freight shipping costs are passed on to consumers.

[14] Adjusted for the number of working days. Without that adjustment, GDP growth was 0.9% in 2023.
[15] Based on INSEE's employment estimates, which differ slightly from the jobs figures used in the national accounts.
[16] See "Perspectives mondiales à l'automne 2024 : entre assouplissement monétaire et tensions géopolitiques", Trésor-Économics No. 349, DG Trésor, September 2024 (not currently available in English).

Wage growth should ease very slightly to 2.8% in 2025. Growth in salaried employment in the non-farm market sectors is expected to rise by only 0.1% on average next year as the pandemic-related decline in productivity is partly reversed, and growth in average wages per capita should slow again to 2.7%, although they should continue to rise faster than prices.

Growth in the global economy is expected to raise to 3.4% in 2025, taking it back to the rate posted in the late 2010s (3.4% on average between 2015 and 2019), supported by monetary easing. Growth should also strengthen to 1.4% in the euro area. Larger growth, particularly among France's main trading partners, should result in a larger increase in global demand for French goods and services (3.6%).

In the medium term, monetary support combined with inflation’s return to normal levels and a slower rate of fiscal adjustments should allow growth to exceed its potential, with an increase of 1.4 points of GDP in 2026 followed by a 1.5-point increase in 2027 and 2028, the year when the output gap will be closed.

This rate of growth is consistent with the French economy's catch-up potential (see Table 3). In particular, the economy should be supported by a gradual decline in the household savings rate, which should boost household consumption (see Box 1) and an upturn in the property market after a period of low activity.

From 2026 onwards, inflation is likely to be 1.75%, which is in line with the European Central Bank's target rate for the euro area.

Potential growth is expected to stand at 1.2% per year between 2023 and 2028. This new estimate is computed with INSEE's annual national accounts published in May 2024 (with a base year of 2020), and based on somewhat more conservative assumptions.

Risks to the macroeconomic scenario appear balanced overall.

For 2024 and 2025, geopolitical developments, particularly in Ukraine and the Middle East, continue to pose risks for commodity prices and trade flows.

However, inflation was surprisingly low in September, judging by figures published after the economic scenario was finalised. If inflation falls more quickly, this would represent an upside risk to growth by supporting purchasing power if it led to a larger or faster fall in interest rates.

In the medium term, the main risk relates to the assumption that the French household savings rate will fall very gradually towards its pre-pandemic average. If it falls more quickly, this would give a greater boost to the French economy, allowing it to post growth closer to that recorded in the late 2010s. The scenario also assumes that, beyond 2024, France will not close the gap resulting from the decline in its goods export performance, and this creates a risk to the upside.

Finally, climate change and the green transition are affecting economic activity. Although that effect is factored into the scenario (see Box 2), the effect could be larger or smaller than expected.

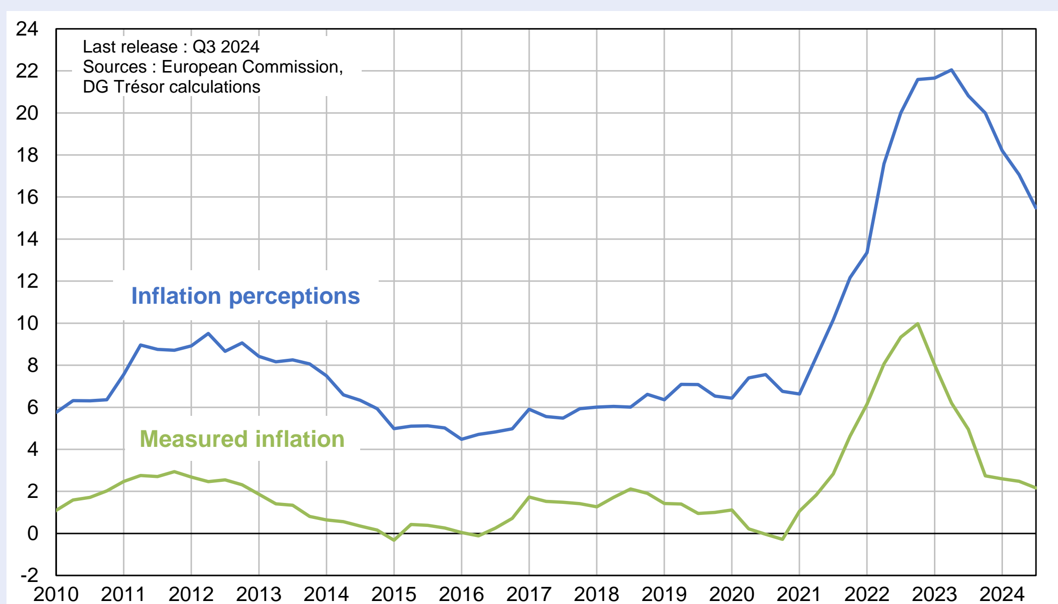
Box 1: The gap between measured inflation and inflation perceived by households could partly explain why the savings rate remains high

In the second quarter of 2024, the household savings rate was 17.9% in France, well above its historical average (14.6% between 2014 and 2019). The savings rate has not fallen since 2023 despite the sharp decline in inflation, which fell from a peak of 6.3% in February 2023 to 1.8% in August 2024 and even 1.2% in September 2024. One possible explanation for why the savings rate has remained high is that households could still be perceiving inflation as high and are restricting their spending accordingly.

There is still a gap between inflation as measured by statistics institutes and inflation as reported by households in surveys: between 2004 and 2010, inflation perceived by households was around 6 points higher than actual inflation.[17] The gap between perceived and measured inflation could be explained by households noticing the prices of certain products – those that they buy frequently (such as food and fuel) and those rising in price – more than products with stable or falling prices or whose quality is increasing for the same price. There have been several recent studies about perceived inflation that support these findings.[18]

The gap between perceived and measured inflation has widened sharply in the current period. In the euro area, it has been consistently over 10 points since the third quarter of 2022, and it peaked at over 17 points in the fourth quarter of 2023: households said on average that prices had increased by 20.0%, whereas year-on-year HICP inflation was 2.7% at the time.[19] Peaks in perceived inflation appear to correlate closely with peaks in food price inflation (see chart below). As a result, the inflation shock was particularly keenly felt by households,[20] and this widened a gap that had previously been stable. This phenomenon may be magnified when prices increase drastically.

Chart: Measured inflation and inflation as perceived by households in the euro area



[17] J. Accardo, C. Célérier, D. Irac, & N. Herpin (2012). "L'inflation telle qu'elle est perçue par les ménages". *INSEE Analyses* (in French only).
[18] Bénassy-Quéré et al, "Women and the inflationary shock of 2022-23", Banque de France, *Eco Notepad*, March 2024 and Bignon et al, "French households and inflation in 2023 – The virtuous triangle of "information, knowledge and trust" contributes to price stability", Banque de France, *Banque de France Bulletin*, November 2023.
[19] European figures collate data from national surveys. In the economic survey questionnaire sent to households in France, question 4.1 is "By what percentage do you think prices have increased in the last twelve months? (Please give a percentage value)". The results for the euro area are published by the European Commission. INSEE only publishes balances of opinion that summarise the qualitative answers given by households about recent inflation (question 4: "Would you say that, in the last twelve months, prices have increased sharply (+), increased moderately / increased a little (-) / remained flat (-) / fallen (-)?".
[20] Households may have paid more attention to inflation given the economy's emergence from a long period of low inflation and because inflation has risen above the 2.5% barrier. P. Hubert, "Attention to inflation depends on its level", Banque de France, *Eco Notepad*, January 2024.

Recent data shows that perceived inflation adjusts to a fall in measured inflation after a time lag, which could be the time it takes for new price references to form in the minds of consumers. As a result, the shock in perceived inflation is lasting longer than the shock in measured inflation, and this explains why household consumption remains sluggish despite the increase in measured purchasing power, although the phenomenon is not a permanent one. Public data from the INSEE confidence survey points to the same trend: households' perception of past price movements moved closer to its historical average in September 2024. The economic scenario in France's 2025 Budget Bill therefore includes a gradual return to normal in consumer behaviour, resulting in a gradual decline in the savings rate from 2025 onwards.

Box 2: How should the green transition be taken into account in the economic scenario?

The pursuit of climate targets has a significant effect on economic output, as do policies to adapt to more extreme and less predictable environmental conditions. This assessment was documented in a report published by DG Trésor in December 2023 about the economic issues involved in the transition to carbon neutrality.[21]

The macroeconomic forecasts included in financial legislation are carried out using the Opale macroeconometric model.[22] The model takes into account energy prices for the economic feedback loop but does not contain an explicit environmental component that might include a carbon price or link forecasts for greenhouse gas emissions with economic forecasts (unlike other more specialist models).[23]

However, macroeconomic forecasts do factor in the impact of climate change and transition policies in several ways.

Commodity prices – particularly oil prices, which play an important role in economic models – are taken into account on the basis of market prices (spot or futures price freezes). This means that they factor in the expectations of economic agents regarding both current and future supply and demand and so they indirectly reflect climate change and transition policies.

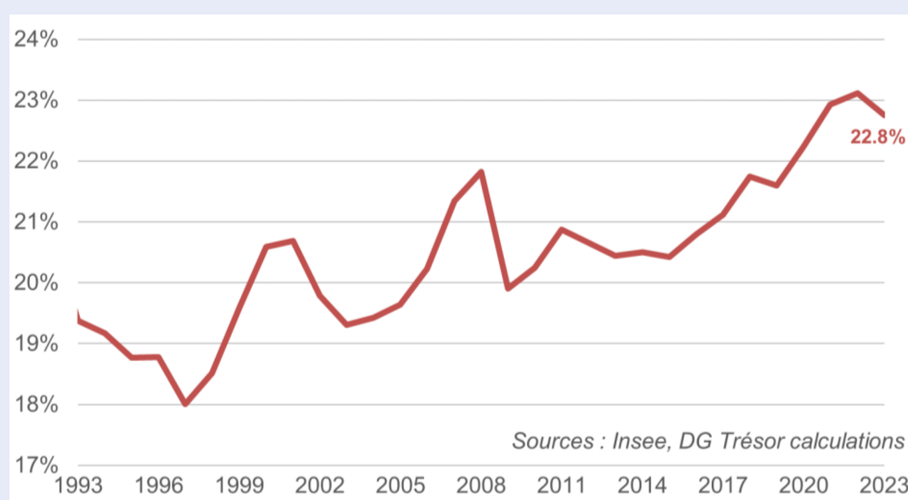
Economic analysis and short-term forecasts for upcoming quarters are also affected – sometimes for a long time – by recent climate events. Examples are droughts affecting agricultural production, low water levels affecting industrial production and trade (the low level of the Rhine in 2022 and of the Panama Canal in early 2024), and hurricanes affecting oil production (in the Gulf of Mexico in September and October 2024).

Forecasts also take into account secular trends observed in the past:

- The business investment rate has been on an uptrend since the 1990s (see chart below), possibly as a result of the digital and green transitions. Household investment is fundamentally supported by home maintenance and improvement spending, including thermal renovation work. However, part of the slowdown in newbuild construction could be secular, reflecting tougher energy standards and targets for reducing land take.
- The potential growth rate used in forecasts is estimated on the basis of trends in recent years, which therefore factor in the impact of transition policies already implemented and the effects of climate change that are already apparent.

[21] See Interim report on "*The economic challenges of the net zero transition*", DG Trésor, December 2023 (only executive summary available in English).
[22] See Working Paper No. 2017/06 – "La maquette de prévision Opale 2017", DG Trésor, May 2017 (in French only).
[23] Mésange Vert is a DG Trésor tool that produces macro-environmental assessments of green transition policies. See *"Mésange Vert, a New Model to Assess the Impact of Economic Shocks on France's Carbon Emissions"*, Trésor-Economics No. 345, DG Trésor, July 2024.

Chart: Investment rate among non-financial corporations (1993-2023)



The macroeconomic scenario is based on a detailed trajectory for public finances, in terms of both revenue and expenditure, and includes measures in favour of the green transition. Those measures affect output directly through public-sector demand – for example via general government "green" investment projects such as low-carbon transport infrastructure initiatives[24] – and indirectly through incentives that involve taxation (such as carbon taxes) or transfers (such as the MaPrimeRenov' home energy renovation scheme). Green investment programmes adopted by France's main trading partners, such as the Recovery and Resilience Plans in the euro area and the Inflation Reduction Act in the United States, are also included in the international economic scenario.

Looking ahead, the anchor inflation rate used in medium-term forecasts is 1.75% in CPI terms, which is higher than the rate posted in the 2010s (1.1% on average in France between 2010 and 2019). This decision ensures consistency with the ECB's inflation target (HICP inflation of 2.0%) but also takes into account the effect of climate change and the green transition on prices, particularly food and energy prices.

Work to improve and adjust the tools and models used in economic forecasting is a continuous process. In particular, the quantitative impact of tougher climate policies on potential medium- and long-term growth is still unclear and is the subject of ongoing research.

[24] See in particular the report submitted by the French government to parliament on its multiyear strategy for financing the ecological transition and its energy policy (SPAFTE).

Table 1. Economic forecasts for 2024-2025 included in budget bill and comparison with those of 2024 Stability Programme[25]

	2024		2025	
	Percent change	Changes from Stability Programme	Percent change	Changes from Stability Programme
GROSS DOMESTIC PRODUCT	**1.1**	**(0.1)**	**1.1**	**(-0.3)**
Consumption expenditure of households	0.7	(-0.9)	1.3	(-0.3)
General government consumption expenditure	2.7	(2.6)	-0.2	(-0.9)
Total gross fixed capital formation	-1.7	(-1.3)	0.4	(-0.3)
Of which: non-financial companies	-1.9	(-2.4)	0.6	(-0.3)
General Government	3.0	(1.3)	-0.7	(-0.9)
Households excluding self-employed	-6.0	(-1.9)	0.4	(0.6)
Imports	-1.1	(-1.9)	2.6	(-0.5)
Exports	2.1	(0.0)	3.4	(-0.5)
CONTRIBUTIONS TO GDP GROWTH				
Domestic demand (excl. inventory)	-0.1	(-0.8)	0.8	(-0.2)
General government demand	0.8	(0.7)	-0.1	(-0.3)
Inventories	-0.6	(-0.4)	0.1	(0.1)
Foreign trade	1.1	(0.7)	0.2	(0.0)
CONSUMER PRICE IDEX	**2.1**	**(-0.4)**	**1.8**	**(0.1)**
GDP deflator	2.3	(-0.3)	1.7	(0.0)
Nominal GDP growth	3.5	(-0.1)	2.9	(-0.2)
LABOUR MARKET				
Non-farm market sector:				
- Labour productivity (FTE)	1.1	(0.1)	1.2	(0.2)
*- Employment (persons) - annual average**	0.3	(0.1)	0.1	(-0.6)
- Wages and salaries per employee	2.8	(0.1)	2.7	(0.4)
- Wages and salaries paid by businesses	2.9	(0.0)	2.8	(-0.3)
Total employment (annual average)*	0.7	(0.3)	0.3	(-0.3)
NON-FINANCIAL COMPANIES				
Gross operating surplus (GOS)	-3.9	(-6.8)	0.2	(-2.8)
Margin ratio of non-financial corporations (GOS/GVA) – level in %	31.3	(-1.3)	30.7	(-1.9)
Investment ratio (GFCF/Gross Value Added) – level in %	22.6	(-2.9)	22.7	(-2.7)
HOUSEHOLDS				
Gross Disposable Income (GDI)	5.0	(1.3)	2.6	(0.1)
Purchasing power of GDI	2.0	(0.9)	0.8	(0.0)
Global savings ratio (Gross savings/GDI)	18.1	(0.9)	17.6	(1.1)
INTERNATIONAL ENVIRONMENT				
World demand for French goods	0.9	(-0.3)	3.6	(-0.1)
USD/EUR exchange rate (annual average)	1.09	(0.00)	1.09	(0.00)
Oil prices (Brent. USD / barrel)	82	(0)	80	(-2)

[25] Data adjusted for working days.
* Employed population, domestic concept according to the national accounts definition.

Table 2. Consumer prices developments					
Annual average (in %)	**Average 2010-2019 (in %)**	**2023**	**2024**	**2025**	*Weight in 2024*
TOTAL	1.1	4.9	2.1	1.8	*100.0*
TOTAL EXCLUDING TOBACCO	1.0	4.8	2.0	1.8	*98.2*
Food	1.3	11.8	1.3	0.7	*15.1*
Manufactured goods	-0.3	3.5	0.0	0.1	*23.2*
Energy	3.8	5.6	2.7	-0.3	*8.3*
Services	1.3	3.0	3.0	3.2	*51.6*
HICP	-	5.7	2.5	1.9	*100*
Core inflation [26]	0.7	5.1	1.9	1.8	*62.7*

Sources: Insee. Budget Bill 2025 forecasts.

Table 3. Key figures of macroeconomic forecasts for 2023-2028						
Annual growth (in %)	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Real GDP	1.1	1.1	1.1	1.4	1.5	1.5
GDP deflator	5.3	2.3	1.7	1.6	1.6	1.6
Consumer price index excluding tobacco	4.8	2.0	1.8	1.75	1.75	1.75
Nominal GDP	6.5	3.5	2.9	3.0	3.1	3.1
Wages and salaries paid by businesses (Non-farm market sector, nominal)	5.3	2.9	2.8	3.1	3.4	3.4
Potential growth	1.2	1.2	1.2	1.2	1.2	1.2
Output gap (% points of potential GDP)	–0.6	–0.6	–0.7	–0.5	–0.3	0.0

Sources: Insee. Budget Bill 2025 forecasts.

[26] Underlying inflation excludes volatile products (notably fresh food and energy) and administered tariffs.

Comparison with other forecasts

The French government's growth forecast for 2024 (1.1%) is identical to those issued by the OECD in September and the average of forecasts provided by economists as part of the September Consensus Forecasts. It is higher than the latest forecasts of the IMF (0.9% in July) and the European Commission (0.7% in May), although these forecasts do not factor in the carry-over growth at the end of the second quarter (0.9%).

For 2025, the growth forecast (1.1%) is at the lower range of recently published forecasts. It is identical to the figure in the September Consensus Forecasts but slightly lower than the forecast of the OECD issued in September (1.2%), the IMF and the European Commission (1.3%). Part of the difference between the forecasts could be attributed to differences in assumptions related to the size and composition of fiscal consolidation measures in 2025.

The 2024 CPI inflation forecast (2.1%) is lower than the average of the September Consensus Forecasts (2.3%). The difference may reflect a partial incorporation of the most recent data on inflation by the Consensus Forecasts. As regards HICP inflation, the French's government forecast is similar to the European Commission's forecast issued in May (2.5%), while the OECD's forecast released in September was slightly lower (2.4%).

The CPI inflation forecast for 2025 (1.8%) is identical to the September Consensus Forecasts figure. In HICP terms, the French government's inflation forecast is similar to the OECD's figure (1.9%) and slightly lower than the European Commission's (2.0%).

The potential GDP growth scenario for 2023-2028, set at 1.2% per year, is in line with the most recent estimates of the IMF (1.2% on average between 2023 and 2028) and the OECD (1.1% on average between 2024 and 2026). The European Commission's estimate of potential growth is much lower than that of all other forecasters (0.8% on average between 2023 and 2028), and reflects a difference in methodology that had already been highlighted by the Bruegel think tank in its September 2023 analysis of the new European Union fiscal framework proposed by the European Commission.[27]

[27] Z.M. Darvas, L. Welslau, & J. Zettelmeyer (2023). "*A quantitative evaluation of the European Commission's fiscal governance proposal*" (No. 16/2023), Bruegel Working Paper.

Table 4. Comparison in forecasts between the 2025 Budget Bill, the OECD, the European Commission and the IMF

	2025 Budget Bill		OECD*** - Sept. 2024 -		European Commission***		IMF *** - July 2024 -	
Annual growth rate (in %)	2024	2025	2024	2025	2024	2025	2024	2025
GDP	1.1	1.1	1.1	1.2	0.7	1.3	0.9	1.3
HICP (Harmonized Index of Consumer Prices)	2.5*	1.9*	2.4	1.9	2.5	2.0	n.d.	n.d.
Net borrowing of general government (as % of GDP)	-6.1	-5.0	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.

** This forecast goes with a CPI growth of +2.1 % in 2024 and +1.8 % in 2025.*

*** Maastricht definition.*

**** OECD Economic Outlook, Interim Report September 2024, September 25th 2024; IMF: World Economic Outlook updated on July 16th 2024; European Commission: Spring forecast. May 15th 2024.*

Table 5. Comparison between the 2025 Budget Bill and the Consensus Forecasts

	2025 Budget Bill Core economic scenario		*Consensus Forecasts* -October 2024-	
Annual growth rate (in %)	2024	2025	2024	2025
International – GDP Growth				
United States of America	2.5	1.9	2.6	1.8
China	5.0	4.6	-	-
United Kingdom	1.1	1.3	1.0	1.3
Euro area	0.8	1.4	0.7	1.2
France				
GDP	1.1	1.1	1.1	1.0
Household consumption	0.7	1.3	0.7	1.1
Corporate investment	-1.9	0.6	-1.0	0.6
Consumer Price Index	2.1	1.8	2.2	1.6

Review of the forecasts for 2024-2025

Compared to the economic scenario in the Stability Programme of April 2024, the growth forecast has been revised upward slightly for 2024 (from 1.0% to 1.1%), and a little more sharply downward for 2025 (from 1.4% to 1.1%).

The 0.1-point upward revision for 2024 is due in particular to an accounting effect relating to the Paris Olympic and Paralympic Games, with INSEE recording sales of tickets and audiovisual rights in the third quarter. That accounting treatment was not known when the Stability Programme scenario was produced. The upward revision of growth is supported by the 2024 carry-over growth of 0.9% at the end of the second quarter. However, the composition of growth is different: the carry-over growth mainly reflects the contribution of exports (net of inventories) and of public-sector demand.

The 0.3-point downward revision for 2025 reflects three main factors: (i) growth in consumption and exports is likely to be hampered by an automatic aftershock following the positive impact of the Paris Olympic and Paralympic Games; (ii) the updated analysis of France's high savings rate (see Box 1) leads to accounting for a more gradual return-to-normal in household consumption; (iii) the scale of the upcoming fiscal consolidation in 2025 is larger than that predicted in the Stability Programme, resulting in weaker growth in public-sector demand.

The inflation forecast has been revised down by 0.4 points for 2024 (from 2.5% to 2.1%) and up by 0.1 points for 2025 (from 1.7% to 1.8%). The 2024 revision reflects lower price momentum, particularly for energy and telecoms services, in spring and summer 2024. The slight upward revision for 2025 is due to the impact of price increases for medical consultations due in December 2024, along with the impact of higher maritime shipping costs in 2024 on the price of manufactured goods.

Authority responsible for producing forecasts and statement regarding the independent nature of the forecasts

The French Treasury prepares macroeconomic forecasts and compiles public finance forecasts. It works with the Budget Directorate, which is responsible for central government fiscal policy and preparing budget acts, and with the Social Security Directorate, which oversees the financing of social security funds and prepares the Social Security Budget Bill. For interim financial reporting, the French Treasury relies on information produced by other government departments, such as the Public Finances Directorate General and the Directorate General of Customs and Excise.

These forecasts were submitted to the High Council of Public Finance (“Haut Conseil des finances publiques”, HCFP) for its opinion. An independent body set up by Constitutional Bylaw no. 2012-1403 of 17 December 2012 relating to the planning and governance of the public finances, the HCFP is tasked with assessing whether the government's macroeconomic and public finance forecasts, on which the Budget Bill is based, are realistic. It also issues an opinion on the consistency of annual targets presented in financial legislation with the multiyear public finance trajectories defined in the Public Finance Planning Act.

The HCFP issues its opinion on all these aspects, and that opinion is attached to the Budget Bill submitted to Parliament. The Constitutional Council has stated that opinions issued by the HCFP are taken into consideration when assessing whether the legislation submitted for its review is sincere.

In its opinion on the Budget Bill and the Social Security Budget Bill for 2025, which was issued on 10 October 2024, the HCFP considered the 2024 forecasts regarding growth, wages and inflation to be “realistic”. For 2025, the growth and inflation forecasts are regarded as "a little high", and the wage forecast as "slightly optimistic".

Fiscal outlook

Fiscal overview and strategy

Overview

In 2023 the government deficit stood at -5.5% of GDP following -4.7% in 2022. This deterioration was due mainly to much slacker spontaneous growth in taxes and social security contributions (+2.6%) than in nominal economic activity (+6.3%) as an indirect effect of a high level of growth in 2022. Yet, although real GDP growth held up well, the downturn in inflation was sharper than expected, weighing on nominal consumption and payroll and consequently public revenue. At the same time, government expenditure fell in real terms (-1.0%) with an annual average inflation still running high (4.8%) and although the government continues to protect, as in 2022, the households and businesses hardest hit by inflation, especially in terms of energy prices. Government expenditure was therefore lower than forecasted due to central government and government agency shortfalls in expenditure, which offset more than the higher-than-expected level of local authority spending. Lastly, INSEE's change of base year for the national accounts gave rise to a deterioration in the balance of approximately -0.1 percentage point of GDP, mainly due to the Additional Retirement Scheme Institution for the Civil Service (ERAFP), presenting a structural surplus, being excluded from the coverage for public administrations.

In 2024, the government deficit should reach 6.1% of GDP following 5.5% in 2023, that is a deterioration of 0.6 percentage points of GDP.

This deterioration is entirely attributable to a slight reduction in the structural deficit, with the cyclical balance remaining virtually unchanged from 2023.

Without any measures, the structural deficit would have deteriorated 0.9 percentage point of GDP in 2024 compared to 2023 due mainly to (i) a spontaneous increase in local authority spending in both operating expenditure (-0.1 percentage point of GDP) and capital expenditure (-0.2 percentage point of GDP) (ii) an increase in expenditure on old-age benefits bolstered by the 2024 hike based on 2023 inflation (-0.4 percentage point of GDP) and by demographic effects (iii) a spontaneous increase in aggregate tax and social security contributions that was weaker than nominal growth (-0.5 percentage point of GDP) (iv) an increase in the cost of debt service (-0.2 percentage point of GDP) as a result of a previous interest rate rise and (v) an increase in expenditure under the Invest for the Future Programme (-0.1 percentage point of GDP). However, these impacts should be mitigated by the gradual phasing out of exceptional measures to shield households and businesses from energy price increases (+0.7 percentage point of GDP).

This spontaneous decline of the structural balance is partially offset by 0.3 percentage points of GDP due to the government measure taken in February 2024 to cancel by decree €10 billion in ministries' appropriations.

In 2025, the government balance is expected to show a strong improvement on 2024 to stand at -5.0% of the GDP. The cyclical balance should remain virtually stable and the structural balance should improve by +1.1 percentage points of GDP.

Without corrective measures, the 2025 deficit would have reached approximately 7% of GDP. Its improvement is due to the measures presented by the government, which represent a total effort of €60 billion compared with the spontaneous growth in revenue and expenditure of 2 percentage points of GDP, two thirds of which relate to expenditure (see Table 1).

The main measures are as follows:

- Increased central government and government agency expenditure restraint by more than €20 billion below trend, including €15 billion by means of nominal stabilisation of appropriations relative to the budget for 2024 as contained in the control totals (see below).
- Curbing social security funds expenditure amid falling inflation mainly by means of: (i) setting the national healthcare expenditure growth target at 2.8%, (ii) index-linking pensions in July 2025, and (iii) reforming tax breaks to promote an increase in wages while putting a brake on their growth to cut their cost to the public purse.
- Local authority participation in government expenditure control efforts by means of different measures set down in the 2025 Budget Bill following consultations with local authorities. These measures will improve the resilience of local authority public finances based on a multiannual self-insurance approach.
- Greater social justice and fairer taxation by means of: (i) a one-time mechanism to curb tax planning by high earners, (ii) a one-off contribution on the profits of the largest corporations, and (iii) a reduction in certain tax and social security contribution exemptions and credits to counter deadweight losses.
- Greening taxation by encouraging further energy savings.

Taken as a whole, these corrective measures support essentially the effort to control government expenditure and will account for approximately two thirds of the actions announced by the government.

These measures should more than offset the spontaneous deterioration in the structural balance which, without any of these measures, would have deepened by -0.8 percentage point of potential GDP in 2025 due to the increase in the cost of debt service (-0.2 percentage point of GDP), the assumption of slightly lower growth in aggregate taxes and social security contributions than in nominal growth (-0.2 percentage point of GDP), spontaneous growth in central government expenditure and spending under the national healthcare expenditure target due mainly to inflation, the planning acts and growth in healthcare expenditure (-0.3 percentage point of GDP), growth in local authority investments relating to the electoral cycle (-0.1 percentage point of GDP), and the persistence of spontaneous growth in pensions (-0.1 percentage point of GDP). These negative effects are partially offset by the last step in the phasing-out of the energy price caps (+0.2 percentage point of GDP).

Consistent with these trends, the aggregate tax and social security contribution rate should stand at 42.8% of GDP in 2024 and 43.6% of GDP in 2025 following 45.0% of GDP in 2022 and 43.2% of GDP in 2023. The ratio of government expenditure to GDP (net of tax credits) should stand at 56.8% of GDP in 2024, up from 56.4% in 2023, before dropping to 56.4% of GDP in 2025.

2024 mid-year picture

There is still great uncertainty surrounding these predictions at this point in the year. The uncertainty for 2024 mainly concerns year-end growth in tax revenue and local government expenditure.

2025 deficit target

The macroeconomic and public finance forecasts presented in this report include a Maastricht-defined government deficit target for all government departments of 5.0% of GDP for 2025. This is the target set by the government, which will also be presented in the national medium-term fiscal-structural plan (MTP) sent to the European Commission and will be achieved by means of all the measures announced when the Budget Bill and the Social Security Budget Bill for 2025 were tabled.

Nevertheless, the introductory articles of the Budget Bill and the Social Security Budget Bill for 2025 presented to Parliament post a deficit of 5.2% of GDP (and public finance aggregates consistent with this deficit) in line with both the revenue estimates and expenditure ceilings provided for by the Budget Bill for central government and with the revenue estimates and expenditure estimates presented by the Social

Security Budget Bill. The Government made this presentation choice to comply with the principle of faithful representation, which will be respected throughout the bill review procedure.

This difference of 0.2 percentage point of GDP is the result, in the extraordinary and highly specific circumstances surrounding the preparation of the bills following the appointment of the government on 22 September 2024, of the government's intention to make changes, in the course of the debate, to the bill that the previous government had started to prepare in terms of both central government expenditure ceilings and certain tax measures, while respecting a tabling date that would still provide Parliament with the 70-day review timeframe stipulated by the Constitution.

To ensure that the debate is clear and can be understood, the government informed the High Council of Public Finance of such. The government also informed the parliamentary representatives on tabling the bills of the changes it wishes to make in the course of the debate.

Hence, in terms of central government expenditure, the government intends to submit to Parliament, in the course of the debate, €5 billion in additional savings. This appropriation ceiling reduction measure, to be shared across the ministries, will be tantamount to cancelling approximately half of the appropriations that usually form the set-aside at the beginning of the budget year. It will therefore cover a wide raft of appropriations, taking into account the relative rigidity of expenditure, while maintaining the ability to adjust the effort. It will be associated with a reduction in the set-aside rate at the start of the budget year.

In terms of revenue, the sums presented in Statement A correspond to the central government revenue estimates and tax measures presented in the bill. Nevertheless, the government intends to table amendments in the course of the debate to strengthen the tax signals in support of the green transition and sustainably raise tax revenue by €1.5 billion as from 2025.

All in all, these measures improve the government balance by €6.5 billion (€5 billion in expenditure and €1.5 billion in revenue) or 0.2 percentage point of GDP. This improvement in the balance is driven entirely by central government.

Multiyear trajectory

The multiyear trajectory underlying the 2025 Budget Bill will be presented in the national medium-term fiscal-structural plan (MTP) provided according to the new European economic governance framework, which came into force on 30 April 2024.

As stipulated by Article 1K of Act 2001-692 of 1 August 2001 on Budget Acts, Parliament will be notified of the MTP upstream of its submission to the European Commission.

The trajectory proposed in France's MTP is consistent with the new European fiscal rules and provides a return below the 3% deficit threshold in 2029. The savings measures for 2025 have already been announced, while the savings required to meet subsequent years' targets will be presented in the financial legislation for the years in question.

Expenditure measures

The Government has made reducing expenditure the cornerstone of its fiscal consolidation strategy. As a result, corrective measures mainly support efforts to reduce government expenditure. This is primarily reflected by the ratio of government expenditure to GDP (net of tax credits), which should stand at 56.4% of GDP following 56.8% in 2024. The ratio of expenditure to GDP will be reduced despite significant factors of underlying growth in spending: in the absence of corrective measures, the ratio of expenditure to GDP would have reached 57.5% of GDP.

The expenditure effort will be shared by all sub-sectors. **Central government** intends to make €5 billion in additional savings on the control totals, which already represent an effort of €15 billion by means of nominal stabilisation of appropriations relative to the budget passed for 2024. The government will make the additional effort of €5 billion by means of amendments.

Therefore, a total of €20 billion will be saved in expenditure by central government compared with the underlying expenditure trend. These savings will be shared across all ministries, while ringfencing sectors concerned by multiyear planning acts. These savings will also be underpinned by merging structures with similar activities and streamlining central government operations and standards. Central government agencies will also contribute to nearly €1.5 billion in savings. Curbing expenditure by the **social security funds** will be actioned mainly by limiting the national healthcare expenditure growth target to 2.8%, as documented by a certain number of savings measures (including healthcare product price decreases, hospital expenditure efficiency, increase in the patient's contribution to healthcare costs and reduction in the cap on daily allowances for sickness, maternity etc.), which remains nonetheless above inflation (1.8%). The index-linking of pensions will be postponed from January to July, a measure introduced following the significant adjustments made in recent years due to high inflation. However, the index-linking of other benefits will not be postponed in order to protect the most vulnerable populations. Unemployment benefit measures will also be taken as part of negotiations with employer representatives in order to support return to work. The tax break measure for low earners will be reviewed to lend more impetus to wages while making savings following sharp growth in these tax breaks in recent years. Lastly, **local public departments** will also contribute to the effort to control the government balance. This contribution will take the form of a range of measures agreed upon with local government bodies and set down in the 2025 Budget Bill. These measures will also improve the resilience of local authority public finances based on a multiannual self-insurance approach.

Elasticity of taxes and social security contributions

In 2024, spontaneous growth in taxes and social security obligations is expected to be much lower than GDP growth (2.3% compared with nominal economic growth of 3.5%), resulting in an elasticity of taxes and social security contributions to GDP well below 1 (0.7). This elasticity of less than one could be attributed mainly to the composition of growth being more export-oriented, which weighs on growth in VAT revenue. In addition to this effect, other negative rate effects come into play due to a past drop in real wages dragging down income tax growth, a downturn in transfer taxes due to a forecast drop in transaction volumes and a drop in prices, as well as a downturn in gift tax following a peak year in 2023. Lastly, domestic consumption tax on energy products is also predicted to fall back slightly due to a downward consumption trend.

In 2025, spontaneous growth in taxes and social security contributions should be slightly lower than economic growth (2.5% compared with nominal GDP growth of 2.9%), resulting in an elasticity of taxes and social security contributions close to 1 (0.9). This slightly lower growth in revenue is driven mainly by the trend in corporation tax revenue, encumbered by the decrease in 2024 taxable profits weighing on instalments towards tax due for the current year and the 2024 balance paid in 2025, in addition to the continued falloff in domestic consumption tax on energy products due to the downturn in the consumption of petroleum products.

Revenue measures

Revenue increases account for approximately one third of total public accounts consolidation, representing slightly less than €20 billion. The largest corporations and highest earners will be required to take part in the collective consolidation effort by means of extraordinary, targeted increases in taxes and social security contributions for a maximum period of two years to avoid hindering competitiveness, investment, employment and thereby growth. These measures will take the form of a differential contribution applicable to certain high-income taxpayers and a one-time contribution on large corporation profits. They will be rounded out by a reduction in certain tax and social security contribution exemptions and credits to counter deadweight losses. Taxation also needs to contribute to the green transition. To this end, the 2025 Budget Bill will include taxation greening measures to encourage more energy savings and reduced reliance on carbon-intensive energy sources.

Total effort compared with trend (€bn)	60.6

Expenditure brought below trend (€bn)	41.3

Central government and government agency expenditure below trend	21.5
Control total spending restraint below trend	**15**
Employment policies in a context of falling unemployment (apprenticeship subsidies, the France Compétences vocational training and apprenticeship authority, subsidised employment contracts and *Emploi Franc* employment scheme)	2.1
Official development assistance (maintains a €1.8bn increase over 2017)	1.3
Support for businesses (smoothing France 2030 commitments and payments, and streamlining measures)	2.4
Review of environmental support (total increase of €2.8bn in Ecology mission appropriations)	1.9
of which bonuses for purchases of electric vehicles considering the increase in electric vehicle market share	*0.5*
of which the *MaPrimeRénov' scheme (maintains a €0.9bn increase over 2023)*	*1.0*
of which Green Fund (commitment of €1bn in 2025)	*0.4*
Application of the "monthly means measure" to the in-work benefit	0.8
Job plan effect (-2,200 FTE)	0.1
Reduction in recovery and crisis measures	0.3
Other optimisation, productivity gains and expenditure smoothing measures (restraint equivalent to approximately 1% of central government expenditure)	6.1
Additional central government expenditure restraint and savings measures (by amendment)	**5**
Additional government agency expenditure restraint measures	**1.5**

Consolidation of the social security accounts	14.8
Welfare expenditure austerity measures	**10.1**
Postponement of pension index-linking to 1 July	3.6
Unemployment benefits	0.4
Curbing the national healthcare expenditure growth target	3.8
of which reducing healthcare product prices and volumes	*1.4*
of which patient's contribution to healthcare costs	*1.1*
of which optimisation of hospital procurement	*0.7*
of which daily allowances for sickness, maternity etc. (lower cap)	*0.6*
Reduction in the National Pension Fund for Local Authority Employees (CNRACL) deficit *(4-percentage-point increase in the pension contribution rate for local government and hospitals)*	2.3
Reduction in tax and social security breaks and credits for businesses:	**4.7**
Adjustment of tax breaks for low earners (in keeping with the Bozio-Wasmer report)	4.0
Reduction in social security contribution exemptions	0.7

Local government spending restraint (-0.2 percentage points of GDP)	5
Local public finance resilience mechanism (approximately 450 authorities concerned)	3
Capping VAT growth in 2025	1.2
Reduction in the VAT Compensation Fund (FCTVA)	0.8

Percentage of the consolidation effort due to curbing spending	68%

Revenue increases (€bn)	19.3

Revenue from businesses	13.6
Contribution on business profits measures	**9.8**
Extraordinary contribution on large corporation profits (initial bill)	8
Extraordinary tax due by maritime shipping businesses (initial bill)	0.5
Suspension of the reduction in the contribution on business value-added (initial bill)	1.1
Taxation of share buybacks (initial bill)	0.2
Taxation greening	**1.8**
Carbon and weight taxes on motor vehicles (initial bill)	0.3
Measures by amendment (flight tickets and fossil fuels)	1.5
EDF dividend	**2**
Percentage of the consolidation effort in revenue from businesses	22%

Taxation of individuals	5.7
Targeted measures for individuals	**2.2**
Temporary differential contribution on high incomes (initial bill)	2
Rescission of the income tax break on furnished rentals (initial bill)	0.2
Energy taxation and green taxation	**3.5**
Increase in excise duty on energy (close to 9% decrease in bills; initial bill)	3
Alignment with standard rate of VAT for gas boilers (initial bill)	0.2
Reduction in the benefit in kind for internal-combustion company cars (regulatory)	0.3
Percentage of the consolidation effort in taxation of individuals	9%

Status of country-specific recommendations

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
CSR 1	Wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024.	**Gas** 2023 Budget Act 2022-1726 of 30 December 2022 (energy price caps) Decree 2022-1762 of 30 December 2022 on support for collective residential housing in light of the increase of the price of natural gas in 2023 Decree 2023-1370 of 29 December 2023 on support for collective residential housing in light of the increase of the price of natural gas in 2024 ----- **Electricity** 2023 Budget Act 2022-1726 of 30 December 2022 (energy price caps) Decree 2022-1763 of 30 December 2022 on support for collective residential housing in light of the increase of the price of electricity in 2023 Decree 2023-1369 of 29 December 2023 on support for collective residential housing in light of the increase of the price of electricity in 2024	The cap on gas prices for households with an individual contract ended on 30 June 2023. The cap on electricity prices for households with an individual contract ended on 31 January 2024.	The cap on gas prices for households in collective housing has been maintained until the end of 2024 but only for contracts entered into during the energy crisis (those signed prior to 30 June 2023) at high prices. The cap on electricity prices for households in collective housing has been maintained until the end of 2024 but only for contracts entered into during the energy crisis (those signed prior to 30 June 2023) at high prices.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING

		Energy subsidy Decree 2023-231 of 30 March 2023 on extending the deadlines for applying for energy subsidies for households heated by fuel oil and those heated by firewood Order of 3 March 2023 setting the eligibility criteria for energy subsidies and the maximum amount of the management expenses able to be deducted from the specific grant Decree 2021-1541 of 29 November 2021 on the increase in the energy subsidy for 2021	The one-off energy subsidy was paid to 12 million low-income households, for amounts ranging from €100 to €200.	The one-off scheme was not carried forward to 2024.
		----- **Wood** Decree 2022-1609 of 22 December 2022 on the energy subsidy for households heated by firewood	Payment of a one-off subsidy (€50 to €200) to households heated by firewood up to 31 May 2023.	The scheme was not carried forward to 2024.
		----- **Fuel oil** Decree 2022-1407 of 5 November 2022 on the energy subsidy for households heated by fuel oil	Payment of a one-off fuel oil subsidy (€100 to €200) up to 30 April 2023.	The scheme was not carried forward to 2024.
			The grant for energy-intensive businesses, which provided support	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		-----	for companies whose gas and electricity bills account for a large proportion of their expenses, was streamlined and extended until the end of 2023.	
		Energy-intensive businesses Decree 2023-561 of 4 July 2023 amending Decree 2022-967 of 1 July 2022 introducing a grant for businesses to offset the increase in the costs of natural gas and electricity supplies which were especially affected by the economic and financial fallout from the conflict in Ukraine		
		----- **Commercial electricity bill reductions** Decree 2022-1774 of 31 December 2022 implementing VIII and IX of Article 181 of the 2023 Budget Act 2022-1726 of 30 December 2022 Decree 2023-1421 of 30 December 2023 implementing III of Article 52 of the 2024 Budget Act 2023-1322 of 29 December 2023	Commercial electricity bill reductions were introduced until 31 December 2023. They aimed to cover part of the electricity bills of VSEs that were not entitled to the cap on energy prices as well as those of SMEs, government-funded institutions, local authorities and non-profit organisations with more than ten members of staff.	Commercial electricity bill reductions were partially prolonged in 2024 only for contracts at high prices entered into during the energy crisis (those signed prior to 30 June 2023). The threshold for triggering the subsidy has been maintained at €230/MWh (exclusive of taxes and network tariff) for VSEs and increased to €250/MWh for SMEs.
		----- **One-stop shop** for help with paying energy bills	A one-stop shop for help with paying energy bills was set up for 2023 for firms whose bills increased by at least 50% in 2022.	The one-stop shop scheme was prolonged during the first half of 2024 only for mid-tier firms.
CSR 1	Should renewed energy price increases necessitate new or continued support measures, ensure that such support measures are targeted at protecting vulnerable households	**Anti-inflation quarter**	From March to June 2023, with impetus from the government, major food retailers offered a range of day-to-day products visibly promoted to consumers at discounted prices.	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
	and firms, are fiscally affordable and preserve incentives for energy savings.		In June 2023, the anti-inflation quarter was prolonged until the year-end and the range of products was extended. The scheme was phased out on 12 December 2023.	
		----- **Energy suppliers charter – Help with renegotiating energy contracts**	On 5 October 2022, the major energy suppliers signed a charter of good conduct setting out 25 commitments that should enable consumers to renew their contract, receive appropriate support from their suppliers and be granted state aid. The suppliers agreed to extend payment deadlines at no extra cost for VSEs and SMEs that had difficulties paying their bills in early 2023. Lastly, amendments were made to contracts for bakers having entered into contracts at prohibitive prices, on a case-by-case basis and without termination charges.	
		----- **Civil servants' compensation** Decree 2023-519 of 28 June 2023 on the increase in the wages of civil and military central government staff, local authority personnel and the	The civil service pay scale was increased by 1.5 points in July 2023.	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		employees of government-funded hospitals	Moreover, civil servants were allocated five gross scale points as from 1 January 2024. In addition, the lowest-income civil servants, whose purchasing power has been particularly affected by price rises, received a wage hike: the Decree awards increased pay for gross scales 367 to 418. This allocation of additional points – up to nine points representing a gross increase of €44 per month – provides a salary rise for civil servants in the first levels of grade C ranks and the first two ranks of grade B, and to contract staff who are paid with reference to these pay scales. Moreover, civil servants were allocated five gross scale points as from 1 January 2024.	
		----- **Rent indexes** Act 2023-568 of 7 July 2023 temporarily maintaining a scheme for capping the increase in annual changes to rent indexes	The so-called "Purchasing Power" Act of 16 August 2022 increased the individual housing benefit (APL) by 3.5%, back-dated to 1 July 2022 (an increase that was originally scheduled for 1 October 2022 and 1 January 2023). It also introduced a "rent cap" enabling increases in rent to be capped at a maximum of 3.5% for a year (from October 2022 to June 2023). This measure also applies to capping SMEs' commercial rent. This	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			cap was prolonged until 31 March 2024 at 3.5% in mainland France, 2.5% in overseas France, with the increase being regulated by the Prefect in Corsica. It was phased out on 1 April 2024.	
		----- **Increase in the back-to-school allowance**	The amounts of the means-tested back-to-school allowance were increased by 4.6% for the start of the 2024-2025 academic year compared to the allowance paid out in summer 2023. This year, the allowance is €416.40 for children aged between six and ten, €439.38 for those aged between 11 and 14, and €454.60 for teenagers aged between 15 and 18.	
		----- **Increase in social benefits**	Social benefits for the lowest-income households were increased by 4.6% on 1 April 2024 to factor in inflation.	
		----- **Fuel allowance** Decree 2023-2 of 2 January 2023 on the introduction, conditions and methods for paying a fuel allowance		

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			In January 2023, the motor fuel rebate was replaced by a €100 fuel voucher, which could be requested until the end of March 2023, and which targeted the lowest-income workers who commute using their vehicle.	
CSR 1	Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 2.3% [corresponding to a primary structural adjustment of 0.7 percentage points of GDP].	**2023 Initial Budget Act:** Arrangements for the annual spending review Article 22 of the Public Finance Planning Act 2023-1195 of 18 December 2023 for 2023 to 2027 (1) - Légifrance (legifrance.gouv.fr)	The 2023 Budget Act provides for an annual spending review. This covers an assessment of expenditure throughout government and identifies the most inefficient expenses where savings can be made.	The spending review arrangements were confirmed by the Public Finance Planning Act 2023-2027. Its Article 22 provides that the findings of the reviews will be submitted to Parliament before 1 April every year. Fourteen taskforces, seven of which were entrusted to inspectorate generals, were launched during the first half of 2023 and their findings were submitted in July 2023. They covered a wide range of subjects with six taskforces focusing on the central government scope, three on the scope of social security funds, two on government agencies and three on the scope of local authorities, thus extending to all government departments. In addition, the government Audit Office took part in the spending reviews instigated by the government by drafting nine topic-based memoranda. A second round was launched in 2024 and its findings were made public in September 2024. They covered seven

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
				topics including financial assistance for businesses and support for employment, vocational training and apprenticeships. These spending reviews recorded part of the savings set out in the 2025 Budget Bill. In 2024, the rate of increase in aggregate nationally financed net primary expenditure should exceed the CSR1 target, with a projected primary structural adjustment of -0.4 percentage points of GDP and a projected general government balance of -6.1% of GDP. This means that the government has decided to take large-scale measures starting in 2025 to reduce the deficit to 5% of GDP in that year. Overall, all these measures represent savings of €60bn, i.e. two percentage points of GDP compared to the baseline scenario.
CSR 1	Preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions.	**National Recovery and Resilience Plan (NRRP)** ----- **Unit for the use of European funds**	Rollout and update of the French National Recovery and Resilience Plan (NRRP) aiming to include a REPowerEU chapter (see below). On 5 June 2024, France received €7.5bn in grants in respect of the third payment request, bringing the total received up to €30.9bn, i.e. 76% of the country's total allocation. In January 2023, a unit was set up in the Prime Minister's departments to	Continued rollout of the NRRP. Ongoing preparation of the fourth payment request to be submitted to the European Commission at the end of 2024 to receive grants amounting to €3.3bn in 2025.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			maximise use of European funds by French operators. Review of the use of funds submitted to the cabinet meeting of 8 October 2023.	Assignments are ongoing in conjunction with the ministries and ecosystems, including with respect to coordination between European and domestic financing. A TSI project funded by DG REFORM has been assigned to support the unit on a number of cross-cutting aspects; the final report will be submitted in Q1 2025.
		----- **France 2030 Plan**	The plan has appropriations of €54bn over five years, €20bn of which is tied in with the fourth Invest for the Future Programme (PIA 4), which it incorporates and builds upon. At the end of May 2024, the France 2030 Plan had earmarked €31bn out of the total budget of €54bn, contributing to funding over 3,650 projects for more than 4,200 recipient organisations. These investments support innovation in numerous industries of the future, including energy, digital sovereignty, aviation and aerospace, healthcare, agriculture, food, critical raw materials and culture.	Ongoing rollout of the France 2030 Plan. The France 2030 Plan is helping safeguard public investments for the future.
		----- **Green Fund** Creation of the fund for fast-tracking the green transition in the regions (Green Fund) It is intended to finance projects submitted by local authorities and their public- or private-sector partners in three areas:	Circular of 14 December 2022 on the rollout of the fund for fast-tracking the green transition in the regions (Green Fund).	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		environmental performance, adaptation of regions to climate change and quality of life improvements.		Ongoing funding for projects that have already been submitted and future ones. *See Circular of 28 December 2023 on management for 2024.*
CSR 1	For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, in order to achieve a prudent medium-term fiscal position.	**Spending review** Public Finance Planning Act 2023-2027 Public Finance Planning Act 2023-1195 of 18 December 2023 for 2023 to 2027 (1) - Légifrance (legifrance.gouv.fr) ----- **Pension reform** 2023 Supplementary Social Security Budget Act 2023-270 of 14 April 2023	Like the 2023 Initial Budget Act, the Public Finance Planning Act 2023-2027 provides for spending review arrangements (see above). In addition, the measures set out by the government as part of the 2025 Budget Bill represent total savings of €60bn compared to spontaneous changes in expenditure and revenue, i.e. two percentage points of GDP, two-thirds of which relate to expenditure. The pension reform took effect on 1 September 2023 with the gradual pushing-back of the retirement age: the statutory retirement age will progressively rise from 62 to 64 and the increase in the contribution period under the Touraine reform to retire without a reduced pension will be fast-tracked. On 1 September 2023, the statutory retirement age increased by three months per year of birth as from 1961 and the contribution period by an extra quarter per year of birth as from 1962. The age for automatic entitlement to a full pension is still 67.	Spending reviews were initiated in 2024 and their findings were submitted in September 2024. They covered seven topics including financial assistance for businesses and support for employment, vocational training and apprenticeships. These spending reviews recorded part of the savings set out in the 2025 Budget Bill.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			The measures set out in the reform will enable GDP to be increased by 0.7 points and for 200,000 jobs to be created by 2027. It should generate additional revenue (excluding contributions to the pension system) and help achieve the goal of ensuring the sustainability of France's pension system.	
		---- **Contracyclical unemployment insurance reform** Decree 2023-33 of 26 January 2023 on the unemployment insurance system	The contracyclical unemployment insurance reform adjusted the benefit period for jobseekers based on the economic situation (keeping a minimum six-month period). The period is shorter when conditions are considered favourable and, when they are judged unfavourable, jobseekers will be entitled to a payment extension when their benefit period runs out, bringing it in line with the previous benefit entitlement, as it is more difficult to find work.	The 2025 Budget Bill sets out a primary adjustment that is higher than the requirements of the new governance framework that took effect on 30 April 2024.
		----- **2024 Initial Budget Act**	The underlying primary structural adjustment to the 2024 Budget Bill was in line with the Council's recommendation for France. The revised primary structural	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			adjustment for 2024 should nevertheless depart from the forecasts set out in the 2024 Initial Budget Act and no longer be consistent with the Council's recommendations despite the Decree of February 2024 cancelling €10bn of government budget appropriations. This can be explained, inter alia, by the spontaneous change in revenue which was weaker than activity (infra-unit elasticity) and by local authority expenditure that was higher than forecast. In addition, the spending reviews are ongoing: a second round was launched in 2024 and its findings were made public in September 2024. They covered seven topics including financial assistance for businesses and support for employment, vocational training and apprenticeships. These spending reviews recorded part of the savings set out in the 2025 Budget Bill.	
		----- **Plan for combating tax evasion, social security and customs fraud (June 2023)**	Stepping up audits as from 2023. Publication of a review of the plan for combating tax evasion, social	Monitoring the government's roadmap for combating all fraud with the following five objectives: - Adjusting to digital challenges. - Punishing more fairly and more severely. - More effectively fighting international fraud. - Acting more collectively for greater effectiveness. - Improving the relationship of trust for users acting in good faith.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			security and customs fraud on 20 March 2024. During Q2 2024, the Health Insurance System unveiled an action plan for combating fraud which focuses on three potential scenarios: ▪ False declarations of workplace accidents or accidents when commuting drawn up by the employee or employer to unduly obtain health insurance benefit payments. ▪ Falsification of supporting documents (sick notes, pay slips, etc.) to obtain higher benefits to those that should have been paid. ▪ Declarations of workplace accidents by an employee who is in fact an undeclared worker. The Health Insurance System has therefore equipped itself with new technical and human resources to address the complex nature of fraud by hiring 60 investigators with criminal investigation officer powers in 2024. These officers will conduct investigations in the digital field where there are new risks of fraud such as selling fake goods online, identity theft, trafficking medicinal products and bank identity fraud. In 2023, the Health Insurance System detected and prevented an unprecedented amount of fraud to	The Health Insurance System plans to hire 300 new employees to work on combating fraud over the 2023-2027 period to support the 1,500 employees working in this area in 2023. It has also designed new secure Cerfa forms for noting sick leave with the first copies being distributed in September 2024; their use will become mandatory as from 2025.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			the tune of €466m, which exceeded the initial target of €380m. In addition, the 2023 Social Security Budget Act bolstered enforcement measures, with financial penalties of up to three times the amount of the fraud against the backdrop of an increase in the institution of criminal litigation (up 20%), criminal proceedings (up 34%) and financial penalties (up 28%) compared to 2022.	
CSR 1	Further improve framework conditions in order to facilitate investment and innovation.	----- **2023 and 2024 Initial Budget Acts** 2023 Budget Act 2022-1726 of 30 December 2022 2024 Budget Act ----- **Simplifying Economic Life Bill**	Finalisation of the reduction in corporation tax from 33.3% in 2017 to 25% in 2023. 50% reduction of the contribution on business value-added (CVAE) in 2023, followed by a quarter in 2024. This means that the maximum rate was 0.75% in 2022, 0.375% in 2023 and 0.28% in 2024. Public consultation on the Simplifying Economic Life Bill from 15 November to 31 December 2023 which allowed all citizens and, in particular, business leaders, to suggest measures to make life easier for VSEs and SMEs.	A Simplifying Economic Life Bill, scrutinised by the Senate in June 2024, should ultimately be adopted by the same body on 22 October 2024. The aim is to unlock the economy and cut French red tape at all levels by, for instance, streamlining procedures for businesses, especially VSEs and SMEs. The legislation will also foster industrial and infrastructure projects.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- **Green Industry** Green Industry Act 2023-973 of 23 October 2023	The Act aims to foster France's low-carbon reindustrialisation via three main objectives: (i) help to set up industrial facilities, (ii) fund green industrial projects, and (iii) pave the way for greener public procurement. The Act passed into law on 23 October 2023. With respect to helping to set up industrial facilities, the Act will enable the timeframe for setting up such facilities to be drastically reduced in France to an average of nine months whereas this figure was an average of 17 months over the 2017-2019 period. The relevant Decrees were published in July 2024. Spring 2024 publication, in particular to identify large-scale national interest projects (PINM), for environmental authorisation reform, fast-track procedures concerning urban planning and "endangered species" exemptions. Most of the non-legislative measures accompanying the Act have been implemented (inter alia: support measures for the availability of land for industry and for recycling operations on wasteland).	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- **France 2030 Plan (innovation)**	The France 2030 Plan funds investments in R&D and disruptive innovations (small modular reactors, deep tech, clean tech, quantum technologies, etc.). See above.	
		----- **Business Growth and Transformation Action Plan (PACTE) Act and Government Action Fast Tracking and Streamlining (ASAP) Act**	The aim of the Business Growth and Transformation Action Plan (PACTE) is to remove barriers to firms' growth at all stages of their development, from incorporation to transfer, not to mention financing. As an example, the one-stop shop for business procedures opened on 1 January 2023 as provided for by the PACTE Act. The Government Action Fast Tracking and Streamlining (ASAP) Act of 7 December 2020 cuts red tape in order to speed up industrial facility setup and to expand or relocate operations and jobs to the regions. The Act provides security for industrial project leaders.	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- **Research** Research Planning Act 2021-2030 ----- **E-invoicing** Article 26 of the 2022 Supplementary Finance Act 2022-1157 of 16 August 2022	All the provisions of both Acts have now entered into force. The new Research Planning Act improves funding for public research with an increase in the research budget of €1.3bn in 2023 compared to 2020 figures. It also promotes scientific excellence, encourages ties between public research and private innovation, and bolsters the appeal of research professions with, for instance, wage hikes for researchers. Mainstreaming of e-invoicing for transactions between VAT taxpayers and the transmission of transaction data.	One of the main aims of the measure is to heighten firms' competitiveness and innovation by introducing paperless procedures. Article 91 of the 2024 Budget Act sets a new timetable for the changeover to e-invoicing for businesses: 1 September 2026 for major firms and mid-tier companies for issuing e-invoices. 1 September 2027 for SMEs and VSEs for issuing e-invoices. On 1 September 2026, all firms must be able to receive e-invoices.
CSR 2	Proceed with the steady implementation of its recovery and resilience plan and, following the recent submission of the addendum, including the REPowerEU chapter, rapidly start the implementation of the related measures.	**National Recovery and Resilience Plan (NRRP)**	France's NRRP was updated to include a REPowerEU chapter with an eye to bolstering the independence and security of the European Union's energy supply, in particular by dropping imports of Russian oil and gas by 2027. REPowerEU grants will help fund two major priority areas: boosting industrial decarbonisation, inter alia,	Continued rollout of the NRRP. By Q3 2024, €30.9bn had been paid out to France under the Recovery and Resilience Facility (RRF) out of a total expected amount of €40.3bn, i.e. more than 76% of the allocation. The fourth payment request is currently being prepared to be submitted to the European Commission at the end of 2024 to

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			by developing hydrogen power and carrying out the energy retrofitting of private and government buildings. The amended Plan was adopted by the Council of the European Union on 14 July 2023. France received €0.6bn in pre-financing of its REPowerEU chapter on 7 December 2023, €10.3bn in RRF grants for the second payment request on 22 December 2023 and €7.5bn for the third payment request on 5 June 2024.	receive grants amounting to €3.3bn in 2025.
CSR 2	Proceed with the swift implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	**Cohesion policy programmes** ----- **Prevent and detect dual funding between funds received in respect of the Recovery and Resilience Facility (RRF) and the Cohesion Fund**	Adoption of the Partnership Agreement on 2 June 2022. Approval of 22 operational programmes, of which 19 are regional and three national. Publication of RRF/Cohesion Fund Guidance on 23 February 2024. Building a joint RRF/Cohesion Fund tool for detecting dual funding by cross referencing files and lists of beneficiaries. The tool has been operational since Q1 2024.	Use of the tool on lists of beneficiaries of the NRRP's targets and milestones when preparing payment requests.
CSR 3	Address the shortage of skills, in particular by providing additional work-based learning options and raising the share of people with basic skills.	**Public employment service reform** (Act 2023-1196 of 18 December 2023)	The Full Employment Act was adopted on 18 December 2023. In this respect, since 1 January 2024, there have been several changes to the public employment service:	By 1 January 2025 at the latest: - Automatic registration of social inclusion benefit (RSA) recipients with *France Travail* will be mainstreamed throughout France.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		---- **Contracyclical unemployment insurance reform**	- New governance of the public employment service with the setting up of a network of employment and social inclusion stakeholders called "*Réseau pour l'emploi*" and a National Employment Committee in March 2024, along with regional committees. - *Pôle Emploi* has been rebranded as *France Travail*, taking on new assignments on behalf of "*Réseau pour l'emploi*" stakeholders. Since 2023, increased support for social inclusion benefit recipients by the public employment service has been tested in 18 regional areas. In March 2024, the test was extended to include 47 further volunteer regional areas. Decree 2024-561 of 18 June 2024 on operational preparation for employment (POEI) underpins pre-hiring training: the two current schemes (POEI and AEFR – support for pre-hiring training) have been merged, with the POEI being extended with the option for the employer and the relevant jobseeker to sign a short-term contract when the scheme ends.	- All jobseekers will receive guidance on the basis of common criteria and an overall assessment using a framework shared by the various public employment service stakeholders; they will have to sign a commitment contract based on a common core of reciprocal undertakings. In 2025: - Gradual rollout of increased support for jobseekers with the greatest needs, including social inclusion benefit recipients, following the tests carried out. - Bolstering job-seeking checks. - Heightened support for companies with hiring, following the experiment conducted by the business taskforce which involved a number of stakeholders.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			Decree 2023-33 of 26 January 2023 on the unemployment insurance system. The contracyclical adjustment of unemployment benefits, which has been in force since 1 February 2023, addresses the issue of labour shortages by increasing incentives to return to work when labour market conditions are favourable and there are large numbers of job vacancies.	In a letter sent on 9 October 2024, the Minister for Labour and Employment asked the social partners to resume talks on renewing the agreement setting out unemployment insurance rules for the next three years. Part of the government's priorities is to safeguard the positive outcomes of the reforms introduced in 2019 and 2023. In this respect, the social partners have been requested to "put forward measures to allow for additional annual savings of €400m" and to "foster employment and the continued activity of older workers" so that new unemployment insurance rules can take effect on 1 January 2025.
		----- **Vocational school reform**	The vocational school reform has been implemented incrementally as from the start of the 2023-2024 academic year. It has credits of €1bn per year (for all ministries) and provides for vocational track students to receive compensation for internships and for funding for small-group reading, writing and maths instruction. Since the start of the 2023-2024 academic year, a business relations office has been set up in every vocational school to bolster ties	The vocational school reform will strive to update 6% of diploma courses to improve matching with the labour market (educational programmes for jobs of the future: renewable energy, digital technology, personal services, etc.). This updating of the training offering is being undertaken for four years.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			between the primary and secondary education system and the business community. As part of tailoring vocational instruction to labour market needs, 7,000 places have been eliminated in 2024 and 13,000 created. In addition, the reform has extended the *Avenir Pro* scheme which allows students in the final year of high school to meet with an adviser from *France Travail* or from a local youth employment service (*Mission locale*) and receive support when looking for job opportunities, with leveraging their skills and in understanding employers' expectations. At the start of the 2023-2024 academic year, vocational schools took in 6,000 more students, including 1,050 students taking the **80 new educational programmes for jobs of the future** on offer in regional France. At the start of the 2024-2025 academic year, findings were not yet available but the higher rate of vocational school enrolment bears witness to the improved appeal.	
		----- **Further support for apprenticeships**	Assistance of up to €6,000 is provided to all businesses for apprenticeship contracts entered into between 1 January and 31 December 2024 with	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			minor or adult participants (up to 29 years of age for vocational training contracts) for the first year of the contract. The number of people starting apprenticeships almost tripled between 2017 and 2023, with 852,000 new apprentices in 2023 compared to 305,000 in 2017 (up 2% over 2022).	The apprenticeship policy is still one of the government's main priorities. The principle of apprenticeship grants has been confirmed but they could be recast as part of the discussions on the budget that are beginning in Parliament. Against the backdrop of a sharp increase in government expenditure on the expansion of apprenticeships, the 2025 Budget Bill provides for a reduction in grants to the employers of apprentices to make them more effective and to limit windfall effects.
		----- **Youth Employment Contract (CEJ)**	Following on from the "1 Young Person, 1 Solution" scheme (€10bn for the 2020-2021 period to offer options for apprenticeships, training or professional and social inclusion to all young people), the Youth Employment Contract, in force since 1 March 2022, provides a support programme for young people aged 16 to 25 (or up to age 29 for those with a disabled worker status) who are not pursuing higher education or receiving training and who are experiencing difficulty in finding permanent work.	
		----- **Accreditation of prior learning (APL) reform** Act 2022-1598 of 21 December 2022	The accreditation of prior learning (APL) system allows participants to earn a diploma, credential or professional qualification certificate (CQP), listed on the National Register of Vocational Qualifications or a skillset in these vocational	The provisions governing the APL procedure, originating from the Decree of 27 December 2023 on APL, apply to procedures starting as from 1 January 2024.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			qualifications, based on the knowledge and skills they have acquired both in and outside the workplace. Decree 2023-1275 of 27 December 2023 implements the provisions of the Act of 21 December 2022 that started the reform of the APL procedure to streamline, upgrade and secure career paths, including by providing support to participants throughout the procedure. The reform includes the setting up of a one-stop APL shop with the creation of a national APL digital public service to make APL more accessible and more widely used. The initial version of this "France VAE" website was on-lined on 25 July 2023. Decree 2024-332 of 10 April 2024 sets the conditions for organising and constituting APL panels and increases the length of "APL leave" from 24 to 48 hours.	The one-stop APL shop "France VAE" will be rolled out in stages up to 31 December 2024. The legal arrangements are currently being finalised. The following documents are also slated for publication: - The agreement establishing the public interest group responsible for the APL public service is currently being finalised. - An order on the conditions for carrying out the assignments and the obligations of the bodies tasked with supporting APL applicants. - An order on the template for the feasibility file.
		----- **Skills Investment Plan (PIC)**	€13.8bn was invested in training jobseekers under the Skills Investment Plan (PIC) between 2018 and 2023. Key figures as at 31 December 2023:	In 2023, the government unveiled a new plan for the 2024-2027 period to bolster financing by the regions (Article 8 of the Full Employment Act

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- **Skills Shortage Action Plan**	1,117,450 people starting training including training starts funded directly as part of the Skills Investment Plan (Regions, *Pôle Emploi*, Skills Development Agencies – OPCO) and indirectly (autonomous personal training accounts (CPF) not credited by *Pôle Emploi*, other sources of funding). 377,000 people starting training funded by *Pôle Emploi*, 35% of whom were young people under 30 bearing in mind the fact that the latter account for 25% of jobseekers at the month end (categories ABC). 29% of training starts (excluding autonomous personal training accounts not credited by *Pôle Emploi*) in the Recovery Plan's strategic sectors (digital technology, green transition, industry, healthcare and social work). The annual number of jobseekers taking training courses doubled between 2017 and 2022. The first phase of the Skills Shortage Action Plan, which was launched in autumn 2021, focused on expanding training opportunities. The plan's second phase, which was kick-started in autumn 2022, involved	2023-1196 of 18 December 2023). The execution of multi-annual protocols between the regions and the government, and the related financial agreements, have been finalised for all the regions.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			adopting a sector-specific approach so as to meet the needs of businesses more quickly. This included establishing a pool of immediately-available jobseekers in the employment catchment areas that are the most affected by labour and skills shortages.	
CSR 3	Adapt resources and methods to the needs of disadvantaged students and schools in order to make the education and training system more equitable and inclusive.	**Improve core skills in reading, writing and maths (*Choc des savoirs*)** (Increasing levels by acquiring core skills) ----- **Increase inclusivity at school and combat inequality**	Under the Maths Plan for high schools, maths was reintroduced in the common core curriculum for second-year students beginning in September 2023. 400 maths labs have been set up in middle schools and high schools. Since the start of the 2024-2025 academic year, needs-based groups with reduced numbers have been set up for year seven and eight students for maths and French in order to help students who are struggling. At the start of the 2024-2025 academic year, trialling of "first year of high school preparatory" classes for first year students in the general and technological or vocational streams having failed the middle school leaving certificate. At the start of the 2024-2025 academic year, mainstreaming the	At the start of the 2025-2026 academic year, creation of needs-based groups with reduced numbers for year nine and ten students for maths and French in order to help students who are struggling.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- **Enhance career guidance for students**	opening of middle schools to students from 8am to 6pm in priority education areas (REP and REP+), which was tested during the 2023-2024 academic year, with help with homework, artistic and cultural lessons, and physical and sports education. In addition, certain nursery schools are enrolling pupils as young as age two for interested parents. In priority education areas, 100% of classes in year one and year two of primary school and 75% of classes in the last year of nursery school are being split. Outside priority education areas, students are receiving more individual attention thanks to the capping of classes in the last year of nursery school and classes in year one and year two of primary school to 24. New testing is being introduced in year four classes. Mainstreaming of "Help for Homework" to all year seven students as from the start of the 2023-2024 academic year (89% of year seven students up until then). The back-to-school allowance was increased by 5.6% in April 2023. Over five million children aged six to 18 received an allowance of between €398 and €434.	School enrolment for children as young as age two will be expanded to 300 priority neighbourhoods by 2027.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			For vocational training, data on workforce participation and continuing education rates has been made available online to improve information during the guidance phase (InserJeunes website and Insersup for higher education). At the start of the 2023-2024 academic year, career discovery activities were made available to all middle school students from year eight to year ten.	
		----- **Support educational innovation**	Since the start of the 2024-2025 academic year, career discovery activities have been available to all cycle 4 students (year eight to ten classes). The Educational Innovation Fund (FIP) is helping support innovation and devise tomorrow's educational methods.	€3.5m in appropriations have been allocated to the Aix-Marseille local education authority to fund the educational arm of the *Marseille en Grand* experiment. In 2023, 82 schools (17% of the total in Marseille) and 20 microstructures in middle schools and high schools participated in the programme. The experiment also led to the creation, at the start of the 2024-2025 academic year, of (i) a "talent" preparatory class in the northern districts to prepare students for competitive examinations for the central government civil service and (ii) a blue economy academy to encourage thousands of young people from the northern districts to pursue careers in the maritime and port fields. The renovation arm of the experiment is aiming to renovate 188 schools by 2031, with work on 14 schools being completed between

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
				the start of the 2024-2025 academic year and Q1 2025. Encouragement for educational innovation which enables the identified needs of students and educational staff to be addressed against a backdrop of freedom of organisation. The innovation guide | Éduscol | Ministry for Primary and Secondary Education and Youth Affairs | Directorate General for School Education
		----- **Better address the needs of disabled students (inclusion)**	Nearly 6,500 additional staff are being hired as from the start of the 2023-2024 academic year to provide support to disabled students within the regular education system. As from the same date, Local Units for Educational Inclusion (ULIS) have been rolled out, particularly at middle-school level.	School enrolment for an additional 120,000 disabled children by 2027. At the start of the 2024-2025 academic year, for autistic children there are an additional: 20 teaching units in nursery schools 11 teaching units in primary schools 31 DAR self-regulation programmes
		----- **Anti-Bullying and Cyberbullying Plan**	Introduced in 2021, the Anti-Bullying Programme (pHARe) was fully implemented at primary and middle schools at the start of the 2022-2023	An anti-bullying coordinator has been appointed for each educational establishment in order to lead an awareness-raising programme for educational staff and students.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- ***Pass Culture***	academic year. pHARe was expanded to high schools at the start of the 2023-2024 academic year. 100% of schools and other educational institutions have implemented this programme. A hotline (3018) has been made available to students, parents and professionals for information or to report cases of bullying. New rules were introduced in summer 2023 to bolster anti-bullying measures: going forward, when a student is found guilty of bullying, they – and not the victim of the bullying – may be transferred to another school. Additionally, it is now possible to discipline a student who cyberbullies a peer attending a different school. The Pix Certification Programme is being rolled out for year seven students (with a section on appropriate online behaviour). An audit has been conducted on the handling of cases of bullying by school districts. Publication of the circular of 2 February 2024 on bullying: Fighting bullying in schools, an overriding priority | Ministry for Primary and Secondary Education and Youth Affairs	All primary and secondary education staff will receive training in handling student bullying by 2027.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			The *Pass Culture* enables all young people aged 14 to 18 to take advantage of artistic activities and discover cultural heritage and the contemporary arts. The group component of the pass is devoted to artistic and cultural education activities carried out in groups and supervised by teachers. Since 1 September 2023, year seven and year eight students have also been concerned. This means that all middle- and high-school students can now take part in these activities.	
CSR 3	Improve the working conditions and initial and continuous training for teachers.	**Improvement of teachers' working conditions** ----- **Enhance teachers' skills**	Pay increase for teachers: since the start of the 2023-2024 academic year, established teachers have no longer started their career earning less than €2,100 per month. In addition, teachers received an unconditional pay increase of between €125 and €251 net per month compared to their salary in September 2022, irrespective of the body (*corps*) they belong to, their status or seniority. Under the Teachers' Pact, teachers can voluntarily take on appealing, adjacent work for which they can earn an additional €1,250 in gross pay per year (€1,131 net) and per assignment.	Besides pay increases, working conditions and recognition are on the social agenda of the Ministry for Education. A staff well-being survey has been introduced to monitor and understand changes to the quality of the working environment of staff and to assess the working conditions that are most conducive to its improvement.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			The French Plan and the Maths Plan provide for teachers to receive intensive training with an eye to enhancing their skills in reading, writing and maths instruction. Now rolled out in all school districts, 50% of teachers have already received training under these plans. Mainstreaming of In-Service Training Academic Schools (EAFC) in all school districts.	Every year, nationwide training in writing is provided for as part of the French Plan. A sixth of teachers receive intensive training in French and maths every year. The Maths Plan is being stepped up to train more than 150,000 teachers over five years. Over time, 100% of teachers will have received training under the French Plan and the Maths Plan.
CSR 4	Reduce overall reliance on fossil fuels.	**Strengthen the incumbent nuclear industry** ----- **Energy Saving Plan**	The renationalisation of EDF has been finalised and will enable the government to invest in the nuclear power of the future. Part 1 2022-2023 of the Energy Saving Plan, which was presented on 6 October 2022, sets out the measures that will enable our energy consumption to be cut by 10% by 2024, in line with the target of a 40% reduction in overall consumption by 2050. During winter 2022-2023, electricity consumption dropped 9% compared	The French nuclear industry will be strengthened by: - expanding current capacity - constructing at least six new high-power EPR reactors - developing innovative small reactors (SMRs – Small Modular Reactors, AMRs – Advanced Modular Reactors) – see above, France 2030 Plan. See NRRP.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			to the 2014-2019 average and this trend is continuing. For its part, gas consumption fell 16% between 1 August 2022 and 30 July 2023 compared to the same period in 2018-2019. Part 2 2023-2024 of the Energy Saving Plan, which was presented on 20 June 2023, aims to make energy saving initiatives permanent so as to start the reduction in energy consumption required to comply with France's commitments as regards cutting greenhouse gas emissions and to bolster our resilience and energy sovereignty.	
		----- **France 2030 Plan** (Decarbonisation) -----	See above.	The plan is heavily investing in decarbonising industry with: • €4bn to support the deep decarbonisation of the highest-emitting industrial facilities • €1bn to roll out mature solutions • €610m to buttress innovation and the implementation of innovative and disruptive solutions for decarbonisation It is also investing in the low-carbon mobility of the future with major investments in manufacturing electric vehicles. The plan will also drive investment in R&D for low-carbon aviation. Lastly, the France 2030 Plan supports the emergence of gigafactories for electric battery production.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		Air transport Decree 2023-385 of 22 May 2023 setting out the conditions for applying the ban on scheduled domestic public air transport services when the route is also served by the railways in less than two and a half hours	Ban on airline services when there is an alternative means of transport serving the route in less than two and a half hours.	The 2025 Budget Bill provides for €1bn in additional taxes on the airline industry.
		----- **Bike and Walking Plan 2023-2027**	A total of 60,300 km of secure cycle lanes had been laid out at the end of December 2023 (40,200 in December 2017), i.e. more than an additional 20,000 km. Since 2019, the government has also been involved in nearly 1,250 projects dedicated to cycling facilities in 725 local areas, with subsidies totalling €465m. 40,000 people received a bike purchase grant (with more than 100,000 recipients since 2017).	30,000 bike parking spaces at train stations are currently being installed.
		----- **Future Transport Plan**	The budget of the French Transport Infrastructure Financing Agency (AFITF) has been increased to €4.4bn in 2024 by introducing a tax on long-distance transport infrastructure operators. This budget increase	Support for upgrading and modernising the rail network, expanded under the ongoing revision of SNCF Réseau's performance contract. Implementation of commitments under mobility-related agreements and riders in connection with planning contracts between the government and the regions.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		----- **Step up access to electric cars**	reflects the expansive goals of the Future Transport Plan. Agreements and riders in connection with planning contracts between the government and the regions on land transport for 2023-2027 (€9bn) were signed on 11 October 2024. The mobility arm of the planning contracts between the government and the regions for the 2023-2027 period represents the first tangible component of the Future Transport Plan. Regarding the SERM Act 2023-1269 of 28 December 2023 on express urban train services in regional metropolitan areas: Procedures for SERM projects were launched in several regions. The government will help fund them under planning contracts with the regions. Twenty-four projects were certified to develop express urban train services in regional metropolitan areas. Eight agreements were signed between the government and the regions on the revitalisation of 6,300 km of minor rail lines. An electric vehicle rent-to-buy scheme came into effect as scheduled on 1 January 2024. The scheme was an immense success from the outset. The initially planned	Establishment of local financing terms for express urban train services in regional metropolitan areas. The renewal of the scheme for 2025 is being considered. The "malus" scheme for polluting vehicles is to be extended and should bring in an additional €300m in revenue.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			annual target of 20,000 to 25,000 vehicles was met in mid-January 2024. The scheme's first round, which ended on 15 February 2024 (for orders), will ultimately enable some 50,000 active low-income households with "high-mileage drivers" to be able to use, for at least a three-year period, a recent, environmentally friendly electric vehicle at a much lower monthly cost relative to that of the market (roughly €100/month or less, but up to €150/month for family models). Deliveries for the first round of the scheme ended on 30 September 2024.	
CSR 4	Accelerate the deployment of renewable energies, focusing in particular on wind, solar and geothermal sources and biogas, including through small-scale renewable energy production and the promotion of collective self-consumption, and promote related storage technologies, through increased public investment, by facilitating private investment and addressing permitting bottlenecks.	**France Green Nation** **French Energy and Climate Strategy (SFEC)**	The Secretariat General for Green Planning (SGPE) was set up in July 2022. It coordinates the development of national climate, energy, biodiversity and circular economy strategies, and ensures that all ministries implement them. The planning arm of the France Green Nation action plan has already found an expression in a number of pieces of legislation and plans (Renewable Energy Fast-Tracking Act (EnR), Water Plan, Bike and Walking Plan, Carpooling Plan, report from the Infrastructure Advisory Board, etc.).	The future French Energy and Climate Strategy (SFEC) will be the updated roadmap for making France the first major industrial country to phase out fossil fuels. It will comprise three planning documents: • The third National Low-Carbon Strategy (SNBC3) • The third National Climate Change Adaptation Plan (PNACC3) • The third Multiyear Energy Plan (PPE3) The third Multiyear Energy Plan, the first priorities of which were subject to consultation in late 2023, introduces tangible and bold targets for all renewable energy generation sources, both electric (onshore and offshore wind power, solar power,

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
				hydroelectricity) and non-electric (heat, biogas, biofuel).
		----- **Renewable energy** Renewable Energy Fast-Tracking Act 2023-175 of 10 March 2023	The Act strives to (i) streamline red tape to make it easier to establish renewable energy projects, (ii) plan for facility setups in France with the dual concern of effectiveness and regional equity, and (iii) heighten the acceptability of renewable energy projects by introducing measures for sharing the value of decarbonised energy sources.	Moving forward with the publication of the Act's implementing regulations. Implementation of a bottom-up planning process for developing onshore renewable energy.
		----- **National Strategy for the Development of Decarbonised Hydrogen**		France's Hydrogen Plan is funding a fast-tracking strategy devoted to decarbonised hydrogen so as to make France a frontrunner in this energy of the future. One of the goals is to step up production of renewable and low-carbon hydrogen by electrolysis, a technology that is central to the deep decarbonisation of certain industrial sectors. France has already invested heavily in gigafactories for various key equipment, such as electrolysers and mobility technologies.
		----- **Heat Sources Fund**	The Heat Sources Fund of the Environment and Energy Management Agency (ADEME), which is destined for businesses,	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
		---- **Phase out coal in electricity generation**	local authorities and collective housing, funds the development of renewable heat generation and recovery facilities, as well as the development of heat networks. The Fund's appropriations were increased to €520m in 2024 to meet the expectations of project leaders and to tap into new renewable heat sources.	The closure or conversion of France's last three coal plants to biomass is under review based on different scenarios.
CSR 4	Further upgrade electricity transmission and distribution grids …/…	**Investments in electricity transmission and distribution grids**		Projections for investments in the public electricity transmission grid are around €2bn for 2024, and €4bn for 2027 (compared to €1.5bn in 2022). The French Electricity Transmission Network (RTE) has announced an investment of roughly €100bn by 2040 under its future ten-year plan, which will be focused on climate change adaptation and renewal, in addition to renewable energy grid connections. Enedis, the electricity distribution grid's manager for 95% of mainland France, plans investment expenditure of around €96bn by 2040 (i.e. €5bn/year, compared to €4bn/year on average in previous years).

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
				Note: These projections are for information purposes only. Each year the Energy Regulation Commission holds deliberations on the investment programmes of RTE and Enedis for the coming year.
CSR 4	…/… and increase cross-border electricity interconnections.	**Commission new interconnections**	France's interconnection capacities were increased with the commissioning of the second Savoy-Piedmont interconnection line between France and Italy on 4 August 2023.	In coming years, France's interconnection capacities will continue to increase with the commissioning of the Celtic interconnection with Ireland, expected in 2027, and the Bay of Biscay interconnection with Spain, expected in 2028. Work on these two interconnections began in 2023 upon obtaining the related authorisations. At the same time, several projects are on the drawing board for interconnections with Spain ("Transpyrenean 1" and "Transpyrenean 2") and Belgium (Lonny-Gramme).
CSR 4	Further improve the policy framework in order to incentivise the deep renovation of buildings and the decarbonisation of heating systems, with a particular focus on low-income households and on building stock with the lowest energy performance.	**MaPrimeRénov' scheme**	In 2023, 569,243 housing units received *MaPrimeRénov'* grants. In addition, in line with France's climate-related goals, the subsidy for the purchase of high-performance gas boilers was phased out on 1 January 2023 and the highest-income households were no longer entitled to the grant paid for certain "single action" insulation projects as from 1 April 2023. As part of green planning work, the National Housing Agency (ANAH) extensively overhauled its thermal	To encourage the transition away from fossil-fuel heating, the 2025 Budget Bill provides for setting a standard rate of VAT on gas boilers (increasing the VAT rate to 20%, as a result of the enactment of recent European directives on the matter) for an estimated €0.2bn yield (see Article 10 of the 2025 Budget Bill).

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			renovation subsidies in 2024. This subsidy scheme, currently organised around the following two types of projects, will be made permanent in 2025: A "*Parcours accompagné*" for all property owners that is focused on large-scale retrofitting projects A "*Parcours par geste*" aimed primarily at financing the replacement of fossil-fuel heating systems The overhaul of thermal renovation subsidies has also led to the creation of *Mon Accompagnateur Rénov'* (MAR), an assistance portal which subsidy recipients must use when undertaking comprehensive retrofitting projects. Subsidies granted in 2024 have helped ramp up large-scale retrofitting projects, with particular attention given to low-income households, which receive higher subsidies, and to the most energy inefficient households, through an "energy sieve" bonus.	
		----- **Energy retrofitting of social housing**	€400m was appropriated in the 2024 Initial Budget Act under a subsidy outlined in Policy Programme 135, "Urban Planning, Land and Housing	

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			Improvement". This appropriation is intended to assist social landlords with carrying out large-scale energy retrofitting for housing units rated as "G", "F" or "E" before the start of the works, and with decarbonising heating and hot water systems.	
		----- **Green Fund** Circular of 14 December 2022 on the rollout of the fund for fast-tracking the green transition in the regions (Green Fund)	See above.	Continued investment in the energy retrofitting of government buildings.
		----- **Energy retrofitting of local public buildings**	As from 2023, support for the energy retrofitting of local government buildings is mainly provided by the fund for fast-tracking the green transition in the regions (Green Fund).	
		----- **Interest-Free Loan Programme (PTZ)** 2024 Budget Act 2023-1322 of 29 December 2023	See above. The Interest-Free Loan Programme has been extended until 31 December 2027. The 2024 Budget Act refocused the Programme on newbuild transactions, only permitting loans for housing units in residential buildings located in areas with a housing shortage. As an exception, eligible transactions also include non-residential business premises with plans to be converted into new, single-	In his general policy statement, Prime Minister Michel Barnier said he was in favour of expanding the Interest-Free Loan Programme nationwide in 2025 to support the recovery of the construction market, which is currently sluggish. The terms of this expansion will be laid down in the 2025 Budget Bill to be debated by Parliament in the coming weeks.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			family housing units, and transactions involving a rent-to-buy contract (PSLA) or the "*bail réel solidaire*" programme (whereby homeowners lease the land on which their property is located, reducing the cost of their ownership). Other eligible transactions include the purchase of a home located in an area falling under the scope of the National Urban Renewal Agency or in a priority urban neighbourhood. In early 2024 income caps were raised for households eligible for the Programme, along with the proportion of the total cost of the transaction that can be financed by the Programme. For old housing units, it is not possible to finance the cost of installing a fossil-fuel heating system.	
CSR 4	Build a supporting regulatory environment to increase investment in clean-tech manufacturing, including by simplifying and speeding up permitting.	**Green Industry Act (streamlining)**		See above. To fast track the setting up of new factories and plants, the environmental authorisation procedure has been streamlined. Reviewing by the departments and the environmental authority will be carried out at the same time as the public consultation. The aim is to halve the time taken to issue authorisations from the current 17 months to nine months in the near future. For large-scale national interest industrial projects, a special procedure has been introduced: ensuring the

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
				consistency of local town planning documents with regional planning documents more rapidly, faster electricity connection procedures, building permits issued by the government instead of the municipalities, potential recognition of an overriding reason of major public interest (RIIPM). This exemption procedure will be for very large factories and plants which will be identified by decree.
		----- **Renewable Energy Fast-Tracking Act 2023-175 of 10 March 2023 (streamlining)**	See above. The Act streamlines authorisation procedures for renewable energy projects.	See above.
CSR 4	Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	**France 2030 Plan (Training)**	The France 2030 Plan contains an employment and skills component: with a total €2.5bn budget over five years (2021-2026), the first round of the "Skills and Jobs of the Future" call for expressions of interest (AMI-CMA) is funding employment and skills assessment projects and training projects, and, since June 2023, talent attraction projects, which support the development of skillsets related to national investment priorities. The plan backs the emergence of talent and speeds up the adaptation	Since June 2023, the rollout of the "Talent Attractiveness" component of the Plan has been underway, with the aim of identifying new and efficient ways to reach out to and promote opportunities amongst young people, especially women, adult trainees, workers (such as those undergoing career development or occupational retraining) and in sectors addressed by the France 2030 Plan, particularly those experiencing labour shortages at national, regional or interregional level.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			of training to skill requirements in new and future sectors. The first phase was implemented from December 2021 to March 2023, during which nearly €800m in subsidies were granted for 59 assessments and 119 training programmes, with 3.1 million learners participating.	
		----- **FNE Formation** Instruction of 21 April 2023 on the implementation of the FNE-Formation training scheme in 2023	FNE-Formation assists businesses with employee training and skills development and is regularly adjusted to the needs of the economy. In 2023, training programmes related to the green and energy transitions were prioritised, along with those regarding the food, agricultural and digital transitions. Over 98,000 training initiatives addressing the green transition target were funded between 1 January and 31 December 2023.	
		----- **Green Transition Training Plan for civil servants**	Training in the challenges raised by the green transition started in 2022 for senior civil servants. 25,000 central government civil service managers were trained as a priority, starting in October 2022 with the 220 central administration directors. They	Training in the challenges raised by the green transition to be extended to all civil servants in the three branches of the civil service. As from December 2024, start of training for the 12,000 managers in the local civil service and the 4,000 managers in the hospital civil service.

CSR	SUB-RECOMMENDATION	MEASURES	DONE	IN PROGRESS/PENDING
			followed a pilot course rolled out jointly by the Interministerial Delegation for Senior Civil Servants (DIESE), the Ministry for the Ecological Transition and Regional Cohesion and the National Institute of Public Service (INSP). Since July 2023, an average of 1,500 central government managers have been trained every month. Each year, the Mentor website enables 1,000 future senior civil servants to be trained as part of the shared curriculum managed by the INSP; they complete a 20-hour module on the green transition.	The government's objective is for all 5.6 million civil servants to have received this training by 2027. The interministerial online training offering is expanding and will include new modules on the green transition.

Appendices: detailed tables

1

Economic outlook

Table 1. Gross domestic product and components

	2023		2024	2025
NOMINAL GROSS DOMESTIC PRODUCT (GDP) – level in € billions	**2 822**		**2 921**	**3 005**
	Nominal	Volume		
	Level (€bn)	Percent change	Percent change	Percent change
RESOURCES				
Real gross domestic product	2 822	1.1	1.1	1.1
Imports	1 024	0.7	-1.1	2.6
TOTAL RESOURCES	**3 846**	**1.4**	**0.5**	**1.5**
USES				
Private consumption expenditure	1 547	0.9	0.7	1.3
Government consumption expenditure	679	0.8	2.7	-0.2
Gross fixed capital formation (GFCF)	652	0.7	-1.7	0.4
- of which Non-financial corporations	353	3.1	-1.9	0.6
- of which Households excluding self-employed	147	-8.2	-6.0	0.4
- of which General Government	121	7.1	3.0	-0.7
Exports	968	2.5	2.1	3.4
Changes in inventories and net acquisitions of valuables	2			
TOTAL USES	**3 846**	**1.4**	**0.5**	**1.5**
Contributions to real GDP growth				
Final domestic demand excluding inventories		0.9	0.7	0.8
Changes in inventories and net acquisitions of valuables		-0.4	-0.6	0.1
Net foreign trade		0.6	1.1	0.2

Table 2. Resources and uses of goods and services – price developments

	2023	2024	2025
	Percent change	Percent change	Percent change
RESOURCES			
Gross domestic product	5.3	2.3	1.7
Imports	-2.2	-1.0	1.2
TOTAL RESOURCES	**1.3**	**1.4**	**1.6**
USES			
Private consumption expenditure	7.1	2.9	1.8
Government consumption expenditure	3.2	2.1	1.4
Gross fixed capital formation	3.4	1.4	1.8
Exports	-2.2	-1.1	1.2
TOTAL USES	**1.3**	**1.4**	**1.6**
OTHER PRICE INDICES			
Consumer Price Index (CPI)	4.9	2.1	1.8
Consumer Price Index excluding tobacco	4.8	2.0	1.8
Harmonised Index of Consumer Prices (HICP)	5.7	2.5	1.9

Table 3. Sectoral balances – Net lending (+) / borrowing (-)

	2023	2024	2025
	% of GDP	% of GDP	% of GDP
NET LENDING (+) / BORROWING (-) vis-à-vis the rest of the world	**-1.7**	**-0.3**	**0.0**
Of which:			
- Balance of goods and services	-2.0	-0.9	-0.6
- Balance of primary incomes and transfers	0.0	0.3	0.3
- Capital account	0.3	0.3	0.3
NET LENDING (+) / BORROWING (-) of the private sector	**3.8**	**5.8**	**5.0**
Of which:			
- Households	4.2	5.7	5.5
- Non-financial corporations	0.8	-0.1	-1.1
NET LENDING (+) / BORROWING (-) OF GENERAL GOVERNMENT*	**-5.5**	**-6.1**	**-5.0**

(*) According to the Maastricht definition.

Table 4. French external trade

	2023	2024	2025
	Level in €bn	Level in €bn	Level in €bn
TOTAL GROSS TRADE BALANCE CIF-FOB	**-123**	**-110**	**-105**
Of Which:			
- manufacturing of food products	1	2	2
- energy	-69	-69	-69
- industry	-55	-42	-37
Total trade balance FOB-FOB – level	**-99**	**-86**	**-81**
Total trade balance FOB-FOB – % of GDP	**-3.5**	**-3.0**	**-2.7**

Table 5. Non-financial corporations – Detailed figures

	2023		2024	2025
	Level in €bn	Percent change	Percent change	Percent change
GROSS VALUE ADDED	**1 477**	**7.9**	**0.5**	**2.3**
Compensation of employees	958	5.5	3.1	3.1
Ratio: compensation of employees / Gross Value Added – level in %		64.9	66.6	67.1
Taxes on production	75	1.0	1.1	2.8
Subsidies on production	-40	3.1	12.2	-0.8
Gross operating surplus (GOS)	484	13.9	-3.9	0.2
Margin ratio of non-financial corporations (Gross operating surplus / Gross Value Added) – level in %		32.7	31.3	30.7
Property income paid	478	31.6	15.4	7.4
Property income received	395	31.6	11.1	7.1
Taxes on income and wealth	62	-8.7	0.8	10.6
GROSS SAVINGS	**320**	**15.5**	**-15.5**	**-5.9**
Savings ratio (Gross Savings / Gross Value Added) – level in %		21.7	18.2	16.8
Gross fixed capital formation (GFCF)	336	6.2	-0.2	2.5
Self-financing ratio (Savings / GFCF) – level in %		95.3	80.6	74.0
Investment ratio (GFCF / Gross Value Added) – level in %		22.8	22.6	22.7
Changes in inventories (1)		-1	-19	-14
NET LENDING (+) / BORROWING (-) –level, % of Gross Value Added		**1.5**	**-0.2**	**-2.1**

(1) Changes in inventories – level in billions

Table 6. Households – Income Statement	2023		2024	2025
	Level in €bn	Percent change	Percent change	Percent change
RESOURCES				
Wages and salaries	1 097	5.3	3.2	2.3
- Employees' social contributions	131	7.6	3.2	2.5
Wages and salaries (net of employee social contributions)	965	5.0	3.2	2.3
Mixed income (mainly self-employed)	137	4.2	2.0	2.8
Gross operating surplus (excluding self-employed)	262	17.0	6.5	4.3
Social benefits in cash	595	4.7	5.2	2.4
Property income received	201	50.7	16.0	5.1
Other resources	77	4.3	3.5	2.9
USES				
Social contributions by self-employed and non-employed persons	34	0.1	4.2	2.5
Current taxes on income and wealth	274	2.2	2.4	4.8
Property income paid (paid interests)	64	261.8	25.1	4.4
Other uses	93	3.7	3.5	2.9
GROSS DISPOSABLE INCOME (GDI)	**1 774**	**8.0**	**5.0**	**2.6**

Table 7. Households – From disposable income to net lending	2023		2024	2025
	Level in €bn	Percent change	Percent change	Percent change
GROSS DISPOSABLE INCOME (GDI)	**1 774**	**8.0**	**5.0**	**2.6**
Purchasing power of GDI		0.8	2.0	0.8
Final consumption expenditure	1 482	8.0	3.6	3.2
GROSS SAVINGS	**301**	**8.4**	**11.9**	**-0.1**
GLOBAL SAVINGS RATIO (Gross savings/ GDI) –level		**16.9**	**18.1**	**17.6**
Gross fixed capital formation (GFCF)	165	-3.6	-5.2	1.9
Other net uses	19	24.7	-20.0	-25.4
NET LENDING (€ billions)	**117**	**28.3**	**41.0**	**0.3**
SAVINGS RATIO (Net lending / GDI) – level		**6.6**	**8.4**	**8.2**

Table 8. International Environment – Base assumptions	2023	2024	2025
ECB key interest rate (refinancing, annual average)	3.4	3.7	3.2
10-year sovereign bond rate for France (annual average)	3.0	3.0	3.5
USD/EUR exchange rate (annual average)	1.08	1.09	1.09
Nominal effective exchange rate of the French economy	3.5	1.6	0.3
World GDP growth (excluding EU)	3.2	3.2	3.4
Growth of relevant foreign markets	-2.1	0.9	3.6
Growth of world imports (excluding EU)	-0.6	3.5	4.6
Oil prices (Brent. USD / barrel)	82	82	80

Table 9. International Environment – GDP growth forecasts				
	2023		2024	2025
	Level * (USD bn)	Percent change	Percent change	Percent change
France	3 056	1.1	1.1	1.1
European Union (27 countries)	18 486	0.6	1.1	1.8
Euro area	15 673	0.5	0.8	1.4
Euro area excluding France	12 617	0.4	0.7	1.5
United Kingdom	3 340	0.1	1.1	1.3
United States	27 361	2.5	2.5	1.9
Chine	17 802	5.2	5.0	4.6

(*) System of National Accounts 2008 (2008 SNA) for the United States and China; 2008 SNA / European System of Accounts (ESA 2010) for France, United Kingdom, the euro area and the EU.

Table 10. International Environnement – Consumer prices			
	2023	2024	2025
France (consumer price index)	4.9	2.1	1.8
Euro area	5.4	2.4	1.9
United Kingdom	7.3	2.7	2.2

Table 11. Labour market				
	2023		2024	2025
	Level	Percent change	Percent change	Percent change
Employment (persons) – Total economy [1] – Annual average	**30 424**	**1.1**	**0.7**	**0.3**
Employment (persons), France (mainland) *All sectors – Annual average[2] – thousands of persons*	30 305	330	200	90
Employment (persons) – France (mainland) *Non-farm market sector – Annual average[2]*	18 198	1.2	0.3	0.1
Employment (persons) – France (mainland), *Non-farm market sector – YoY [2] – thousands of persons*	18 221	85	25	55
Compensation of employees – Total economy	**1 099**	**5.3**	**3.5**	**2.8**
Wages and salaries per employee – Non-farm market sector		4.1	2.8	2.7
Labour productivity – Total economy[3]		**0.0**	**0.5**	**0.8**

(1) Employed population, domestic concept according to the national accounts definition.

(2) Localised employment estimates (Estel).

(3) Productivity per capita (Real GDP / total employment).

Table 12. Real and potential GDP growth			
	2023	2024	2025
	Percent change	Percent change	Percent change
Observed GDP growth	**1.1**	**1.1**	**1.1**
Potential GDP growth	**1.2**	**1.2**	**1.2**
Contributions:			
- labour	0.2 / 0.3	0.2 / 0.3	0.2 / 0.3
- capital	0.5	0.5	0.5
- total factor productivity (TFP)	0.4 / 0.5	0.4 / 0.5	0.4 / 0.5
Output gap (% of potential GDP)	**-0.6**	**-0.6**	**-0.7**

2

Fiscal outlook

Table 13. General government budgetary targets broken down by subsector

Net lending (+) or borrowing (-) % of GDP	2023	2024	2025
Central government	-5.5	-5.2	-4.3
State government	-0.1	-0.2	-0.2
Local government	-0.4	-0.7	-0.7
Social security funds	0.4	0.0	0.2
General government	**-5.5**	**-6.1**	**-5.0**

Table 14. Structural balance

% of potential GDP	2023	2024	2025
Balance * (1)	**-5.5**	**-6.1**	**-5.0**
Cyclical balance * (=0.57 * output gap) (2)	-0.3	-0.4	-0.4
One-off and temporary measures (3)	-0.1	-0.1	-0.1
Structural balance = (1) - (2) - (3)	-5.1	-5.7	-4.6
Structural adjustment	**-0.6**	**-0.6**	**1.1**
of which, structural effort	1.1	-0.1	1.4
new revenue measures (net of tax credits) and excluding one-off and temporary measures	*-0.4*	*0.2*	*1.0*
expenditure effort	*1.5*	*-0.4*	*0.4*
of which, non-discretionary component	-1.7	-0.5	-0.3
revenue excluding aggregate taxes and social security contributions	*-0.1*	*0.0*	*-0.1*
effect of tax elasticity	*-1.7*	*-0.5*	*-0.2*
Output gap (as a % of potential GDP)	-0.6	-0.6	-0.7

** % of nominal GDP.*

The structural adjustment in 2025 (+1.1 percentage points of GDP) results from an improvement of around 2 percentage points of GDP due to measures announced at the time of the Budget Bill/Social Security Budget Bill for 2025. That improvement more than offset the negative effect of the spontaneous deterioration in the expected structural balance excluding measures (-0.8 percentage points of GDP), of which -0.2 points relates to tax elasticity effects (see Table 2 above) and 0.6 points to the structural effort excluding measures (see Table 2bis below). The negative impact of the structural effort reflects spontaneous increases in certain types of expenditure (e.g. interest, pensions and local investment), partly offset by revenue measures prior to the Budget Bill/Social Security Budget Bill, and in particular the phasing out of the fiscal component of the electricity price cap.

Table 14bis. Impact of announced measures included in Budget Bill on 2025	
% of potential GDP	**2025**
Total structural effort = (a) + (b)	1.4
new revenue measures (net of tax credits) and excluding one-off and temporary measures	*1.0*
expenditure effort	*0.4*
(a) Announced measures included in budget bill	1.9
new revenue measures (net of tax credits) and excluding one-off and temporary measures	*0.8*
expenditure effort	*1.2*
(b) Structural effort before measures PLF/PLFSS	-0.6
new revenue measures (net of tax credits) and excluding one-off and temporary measures	*0.2*
expenditure effort	*-0.8*

Table 15. Key figures			
% of GDP	**2023**	**2024**	**2025**
Total government debt	**109.9**	**112.9**	**114.7**
Government debt excl. support for euro zone	107.7	110.8	112.7
Government expenditure (excl. tax credits)	**56.4**	**56.8**	**56.4**
Nominal growth (%)	3.8	4.2	2.2
Volume growth (%)	-1.0	2.1	0.4
Compulsory levies (incl. EU)	**43.2**	**42.8**	**43.6**

Table 16. Multiannual trajectory						
% of GDP	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Public balance	**-6.1**	**-5.0**	**-4.6**	**-4.0**	**-3.3**	**-2.8**
Cyclical balance	-0.4	-0.4	-0.3	-0.2	0.0	0.0
Structural balance (% potential GDP)	-5.7	-4.6	-4.3	-3.9	-3.3	-2.8
One-off and temporary measures (% of potential GDP)	-0.1	-0.1	0.0	0.0	0.0	0.0
Government debt, as defined by the Maastricht Treaty	112.9	114.7	115.9	116.5	116.1	115.8

Table 17. General government expenditure and revenue targets					
General government (S.13)	ESA code	2023		2024	2025
		€bn	% of GDP	% of GDP	% of GDP
1. Total revenue					
1.1. Taxes and duties on production	D.2	443.5	15.7%	15.6%	15.8%
1.2. Current taxes on income, wealth, etc.	D.5	357.3	12.7%	12.6%	12.9%
1.3. Social contributions	D.61	462.3	16.4%	16.5%	16.7%
1.4. Other current revenue	(P.11+P.12+P.131)+D.39+D.4+D.7	163.1	5.8%	5.8%	5.7%
1.5. Capital taxes	D.91	21.4	0.8%	0.7%	0.7%
1.6. Other capital taxes	D.92+D.99	7.5	0.3%	0.2%	0.2%
1.7. Total revenue (=1+2+3+4+5)	TR	1 455.0	51.6%	51.3%	52.0%
1.8. *incl.: EU transfers (to be received. not in cash)*	*D.7EU+D.9EU*	5.4	0.2%	0.2%	0.2%
1.9. Total revenues excl. UE transfers (=7 – 8)		1 449.6	51.5%	51.2%	51.9%
2. Total expenditure					
2.1. Compensation of employees	D.1	346.2	12.2%	12.4%	12.4%
2.2. Intermediate consumption	P.2	154.8	5.5%	5.6%	5.3%
2.3. Interest expenditure	D.41	52.8	1.9%	2.1%	2.3%
2.4. Social payments other than social transfers in kind	D62	531.1	18.8%	19.2%	19.1%
2.5. Social transfers in kind of market goods and services	D.632	178.8	6.3%	6.4%	6.4%
2.6. Subsidies	D.3	71.4	2.5%	2.0%	1.8%
2.7. Other current expenditure	D.29+(D.4-D.41)+D.5+D.7+D.8	108.2	3.8%	3.8%	3.6%
2.8. Gross fixed capital formation (GFCF)	P.51	120.8	4.3%	4.3%	4.3%
2.9. incl.: public investment financed at national level					
2.10. Capital transfers	D.9	43.3	1.5%	1.6%	1.7%
2.11. Other capital expenditure	P.52+P.53+NP	2.4	0.1%	0.1%	0.1%
2.12. Total expenditure	TE	1 609.9	57.0%	57.4%	57.1%
2.13 *incl.: Expenditures funded by EU transfers ((=1.8)*	D.7EU + D.9EU	5.4	0.2%	0.2%	0.2%
2.14. Nationally financed expenditure (12 – 13)		1 604.5			
2.15. Cyclical unemployment benefit expenditure		0.6 €bn	0.0%	0.0%	0.0%
2.16. One-off and temporary expenditure measures (level, excl. measures funded by EU)		2.9 €bn		2.7 €bn	2.1 €bn
2.17. Primary expenditures funded at national level (before measures on revenue) (=2.14 – 2.15 – 2.16 – 2.3)		1548.3	54.9%	55.1%	54.6%

NB: Expenditure and revenue in ESA 2010 (including tax credits for gross expenditure and revenue).

**Aggregate taxes and social security contributions net of tax credits and not gross.*

Table 18. General government expenditure by function (% GDP)*			
% of GDP	**COFOG Code**	**2021**	**2022**
1. General public services	**1**	5.8	6.2
2. Defense	**2**	1.8	1.8
3. Public order and safety	**3**	1.7	1.7
4. Economic affairs	**4**	6.9	6.7
5. Environmental protection	**5**	1.0	1.1
6. Housing and community amenities	**6**	1.3	1.2
7. Health	**7**	9.2	9.1
8. Recreation, culture and religion	**8**	1.4	1.4
9. Education	**9**	5.3	5.2
10. Social protection	**10**	24.8	23.8
Total Expenditure	**TE**	59.1	58.3

** Eurostat, latest available COFOG data*

3

New measures concerning taxes and social security contributions

Table 19. Total impact of the main new measures concerning taxes and social security contributions

In € billions	2023	2024	2025
Household total	**-4.9**	**4.2**	**6.5**
Scrapping of the residence tax on main residences	-2.9		
Reduction in social security contributions for self-employed workers	-0.6	0.3	
Taxation of profit-sharing bonuses – income tax effect	0.0	0.1	0.1
Taxation of profit-sharing bonuses – social levy effect	0.1	0.1	
Kilometric scale for tax deductions	-0.3	0.1	0.1
Adjustment of tobacco taxes	0.1	0.1	
Adjustment of energy taxes in 2024 – Domestic consumption tax on natural gas (TICGN) for households		0.9	0.1
Changes in the domestic consumption tax on electricity for end-users (TICFE) as part of the electricity price cap (for households)	-1.2	2.1	1.8
VAT impact of changes in TICFE as part of the electricity price cap	-0.2	0.5	0.4
Extraordinary contribution by high-earners			2.0
Increase in excise duty on energy (in response to a reduction in electricity bills of around 9%)			1.1
Discontinuation of the reduced rate of VAT on electricity standing charges			0.6
Discontinuation of the reduced rate of VAT on gas standing charges			0.3
Reduction in the TICGN reflecting the reduced rate of VAT			-0.2
Measures for non-business persons letting out furnished premises			0.2
Business total	**-5.3**	**4.5**	**22.1**
Reduction in the corporate tax rate from 33% to 25%	-0.4		
Competitiveness and Employment Tax Credit (CICE) – ramp-up and increase in the rate from 6% to 7%*	0.1	-0.1	
Reduction in taxes on production	0.1	0.1	
Impact on corporate tax of the discontinuation of taxes on production	-0.6	-0.0	
Continuation of zero-interest-rate loans and environmental zero-interest-rate loans	0.1	-0.0	-0.1
Partial discontinuation of the contribution on business value-added (CVAE) (with the impact on corporate tax)	-3.7	0.2	-0.3
Suspension of the reduction in CVAE (with the impact on corporate tax)		-1.0	0.0
Taxation of profit-sharing bonuses – effect on the minimum tax on social security-exempt benefits paid by employers		0.1	
Gradual discontinuation of the standard deduction for business expenses (DFS)		0.0	0.2
Increase in public transport contribution		0.4	
Green industry support measures (increase in the CO_2 tax, tax on company cars)		0.4	0.3
Creation of the green investment tax credit (CIIV)			-0.3
Levy on operators of transport infrastructure (motorways)		0.6	
Changes in TICFE as part of the electricity price cap (for businesses)	-1.3	2.4	2.0
Corporate tax impact of changes in TICFE as part of the electricity price cap	0.2	-0.5	-0.4
Adjustment of energy taxes in 2024 –TICGN for businesses		0.9	0.1
Increase in the AGS wage guarantee		0.5	0.2
Freeze on employer family benefit and healthcare contribution reduction		0.4	
Specific contribution of 30% on voluntary redundancy compensation	0.1	0.1	
Discontinuation of the reduced rate of VAT on boilers running on gas and fuel oil			0.2
Increase in carbon and weight taxes on motor vehicles			0.3
Discontinuation of the general social security contribution (CSG) exemption for apprentices			0.4
Reduction in contribution exemptions (Innovative Start-Up scheme – JEI, apprentices and seafarers)			0.6
Adjustment of tax breaks for low earners			5.0
Adjustment of tax breaks for low earners – impact on corporate tax			-1.0
Increase in local civil service/public hospital healthcare contributions (National Pension Fund for Local Authority Employees (CNRACL) circuit)			0.6
4-point increase in the CNRACL contribution rate			2.3
Discontinuation of a social security contribution exemptions for expatriate workers			0.3
Extraordinary contribution on large corporation profits			8.0
Extraordinary tax due by maritime shipping businesses			0.5
Taxation of share buybacks			0.2
Reduction of benefit for internal-combustion company cars			0.3
Increase in excise duty on energy (in response to a reduction in electricity bills of around 9%)			1.1
Tax greening (amendment)			1.5
Discontinuation of the reduced rate of VAT on electricity standing charges			0.2
Discontinuation of the reduced rate of VAT on gas standing charges			0.1
Reduction in TICGN reflecting the reduced rate of VAT			-0.2
Recognition of gains on public-service energy obligations as revenue	**-1.3**	**-2.3**	
Contribution on inframarginal rents	**-0.1**	**-0.2**	**-0.1**
Introduction and ramp-up of the Single Resolution Fund (EU taxes and social security contributions)*	**-0.8**	**-3.9**	
Temporary effect of the conversion of the CICE tax credit to a reduction in employer contributions*	**4.4**	**1.0**	**0.1**
Increase in local direct tax rates (property tax on developed land – TFPB)	**1.2**	**0.3**	**0.3**
Other measures	**-0.2**	**0.3**	**0.7**
Total including other measures	**-7.0**	**4.0**	**29.5**

** Effect on taxes and social security contributions and not on the government balance.*

4

Differences with respect to the Public Finance Planning Act and the Stability Programme

Table 20. Structural balance trajectory and components

	2023	2024	2025
PFPA 2023-2027			
Public balance (% of nominal GDP)	**-4.9**	**-4.4**	**-3.7**
Cyclical balance (% of nominal GDP)	-0.7	-0.6	-0.4
One-off and temporary measures (% of potential GDP)	-0.1	-0.1	-0.1
Structural balance (% of potential GDP)	-4.1	-3.7	-3.3
Stability Programme 2024			
Public balance (% of nominal GDP)	**-5.5**	**-5.1**	**-4.1**
Cyclical balance (% of nominal GDP)	-0.6	-0.8	-0.8
One-off and temporary measures (% of potential GDP)	-0.1	-0.1	-0.1
Structural balance (% of potential GDP)	-4.8	-4.2	-3.2
Draft Budgetary Plan 2025			
Public balance (% of nominal GDP)	**-5.5**	**-6.1**	**-5.0**
Cyclical balance (% of nominal GDP)	-0.3	-0.4	-0.4
One-off and temporary measures (% of potential GDP)	-0.1	-0.1	-0.1
Structural balance (% of potential GDP)	-5.1	-5.7	-4.6

The Budget Bill for 2025 deviates from the Public Finance Planning Act 2023-2027.

Table 21. Comparison with Public Finance Planning Act 2023-2027

% of GDP	2025	2025
	Budget Bill 2025	PFPA 2023-2027
General government		
Structural balance (1)	-4.6	-3.3
Cyclical balance (2)	-0.4	-0.4
One-off and temporary measures (3)	-0.1	-0.1
Public balance (1+2+3)	-5.0	-3.7
Debt as defined by Maastricht treaty	114.7	109.6
Compulsory levies ratio (incl. EU, net of tax credits)	43.6	44.4
Government expenditure (excl. TC)	56.4	55.0
Gouvernement expenditure (excl. TC. €bn)	1694	1668
Expenditure development excl. TC in volume (%)[28]	0.4	0.8
Main investment expenditures (€bn)[29]	31	34
Central government		
Balance	-4.5	-4.3
Expenditure (excl. tax credits €bn)	663	658
Expenditure development excl. IC in volume (%)[30]	0.2	1.9
Local government		
Balance	-0.7	-0.2
Expenditure (excl. tax credits €bn)	343	329
Expenditure development excl. IC in volume (%)[30]	0.2	0.2
Social security funds		
Balance	0.2	0.7
Expenditure (excl. tax credits €bn)	795	779
Expenditure development excl. IC in volume (%)[30]	0.6	0.3

[28] Constant field.
[29] As defined by the 2023-2027 Budget Bill.
[30] Constant field, excl. transfers between public administrations.

As regards the comparison with the public finance targets in the 2023-2027 Public Finance Planning Act, the shift by INSEE in 2024 – under the supervision of Eurostat – to national accounts with a base year of 2020 makes the exercise more complex because this change in methodology has significantly affected public finance ratios. Firstly, the shift to national accounts with a base year of 2020 leads to a 0.1-point increase in the deficit. This impact on the government balance is mainly due to the Additional Retirement Scheme Institution for the Civil Service (ERAFP) – presenting a structural surplus – being excluded from the coverage for general government. This reclassification alone caused the government deficit to rise by around €2.6bn in 2023. The shift in the national accounts to a 2020 base year has also led to methodological changes that significantly affect public finance ratios but leave the government balance unchanged, including a much higher level of government expenditure and revenue excluding taxes and social security contributions. There are two main factors behind that increase: (i) the integration of SNCF Réseau's full accounts (only the balance was previously included), leading to an increase in revenue excluding taxes and social security contributions and expenditure of around €10bn in 2023 and (ii) a new accounting treatment of adjustments related to research and development, leading to an increase in revenue excluding taxes and social security contributions and expenditure of around €4bn. As a result, as regards expenditure more specifically, the change in the base year accounts for the vast majority of the large differences in government expenditure, both in absolute terms and as a proportion of GDP.

The forecast government balance is different from that in the 2024 Public Finance Planning Act (-6.1% of GDP as opposed to -4.4% in the Public Finance Planning Act) and the 2025 act (-5.0% of GDP versus -3.7% in the Public Finance Planning Act). The trajectory of the public finances in the 2025 Budget Bill is also different from that in the 2024 Stability Programme.

Compared with the Stability Programme (PSTAB), the forecast government balance for 2024 shows a larger deficit (-6.1% of GDP versus -5.1% of GDP), mainly because of the following factors:

- Revenue is expected to deteriorate mainly because of a spontaneous change in taxes and social security contributions, which are likely to rise less than forecast in the PSTAB, particularly because economic growth is less driven by tax revenue.
- Government expenditure, although it remains lower than in the Initial Budget Act, is higher than the PSTAB assumption (increase in the deficit by 0.3 percentage points of GDP), which already included the decree to cancel €10bn in ministries' appropriations.
- Local authority expenditure is expected to increase sharply (affecting the deficit by 0.4 percentage points of GDP) compared with the PSTAB assumptions, particularly given actual accounting data relating to both operating and capital expenditure.

The forecast government balance for 2025 shows a larger deficit (-5.0% of GDP versus -4.1% in the PSTAB), mainly because of the following factors:

- Revenue is expected to deteriorate because of spontaneous trends in revenue that are weaker than forecast in the Stability Programme, since growth is based on 2024 revisions and the downgrade of GDP growth forecasts for 2025.
- As regards taxes and social security contributions, the government is also planning fair taxation measures for individuals and businesses, extraordinary measures for businesses, green tax measures and measures to encourage wage growth, which would lead to an increase in revenue compared with the PSTAB.
- As regards social security fund expenditure, measures included in the Budget Bill and Social Security Budget Bill help to improve the balance, but by less than projected in the PSTAB.
- The local authority balance is expected to be worse than in the PSTAB, mainly because the expenditure of local authorities has increased significantly in 2024 and this has been adopted as the base level.

5

Measures to support households and businesses in coping with inflation

The government has implemented several measures to protect households and businesses from rising prices, especially energy prices.

Energy price caps were announced back in September 2021 to cope with soaring gas and electricity prices. Regulated retail prices for natural gas (TRVg) were frozen at their October 2021 level and the increase in regulated electricity prices (TRVe) was capped at 4%, including taxes, in February 2022. The price caps included government compensation for the losses incurred by suppliers and local distributors of electricity and gas as a result of the caps and a cut in electricity taxes.31

The government introduced another set of measures for households and businesses to supplement the energy price caps in 2022:

- A fuel rebate for all households and businesses was implemented from April to December 2022. The fuel rebate was 18 cents per litre, including tax, between 1 April and 31 August. It was increased to 30 cents per litre, including tax, between 1 September and mid-November 2022, and then 10 cents per litre, including tax, until the end of December.
- Support for energy-intensive businesses was introduced for companies where gas and electricity bills account for a large share of their expenses.
- Some specific measures were also introduced to support industries that are most vulnerable to rising input prices.
- Early increases in retirement pensions and social benefits were applied on 1 July 2022.
- An exceptional back-to-school benefit was paid to approximately 11 million households, and vouchers were provided to low-income households (one-off energy vouchers, fuel wood vouchers, heating fuel oil vouchers).

The government decided to extend the caps to continue to protect households and businesses against soaring energy prices in 2023, restricting the rise in regulated gas prices to 15% in January 2023. The rise in regulated electricity prices was restricted to 15% in February 2023, in contrast to the 99% rise calculated by the Energy Regulation Commission (CRE) if the compensation provided to suppliers as part of the price caps had been eliminated. The rise in August 2023 was restricted to 10%, as opposed to the 74.5% rise calculated by the CRE.

In 2023, the government refined the measures supplementing the price caps to address businesses' difficulties more effectively and to achieve more accurate targeting of low-income households. The refinements included:

- Providing electricity support for all VSEs and SMEs, as well as for local government through the "electricity cost shock absorber". This measure was implemented from 1 January to 31 December 2023. It allowed the central government to cover surplus energy costs over €180/MWh and up to €500/MWh directly, not including taxes and network charges. Suppliers receive compensation directly from the central government.
- A guaranteed cap on electricity prices for VSEs. Under this measure, very small enterprises that renewed their electricity supply contracts in the second half of 2022 and do not benefit from regulated retail prices did not pay more than €280 per MWh on average in 2023.
- The one-stop shop to help the most energy-intensive businesses pay their electricity and gas bills in 2023. This measure extended and simplified the 2022 subsidies for energy-intensive businesses.
- A fuel bonus of €100 paid to workers in the five lower income deciles who drive to work.

[31] Three measures were introduced to ensure the effectiveness of this cap on electricity prices: a cut in the domestic consumption tax on electricity for end-users (TICFE), an exceptional increase in the cap on regulated access to legacy nuclear electricity (ARENH) from 100 TWh to 120 TWh in 2022 only, and a further freeze on regulated electricity prices. Suppliers and local distribution companies are compensated for losses resulting from the price caps. The system of national accounts records a subsidy when the suppliers register their losses.

In 2024, falling energy prices have made it possible for the government to start phasing out support measures for coping with inflation. The cap on gas prices ended in July 2023, although the price cap for beneficiary co-ownerships was extended in 2024 for those that benefited from it in 2023. The component of the electricity price cap providing compensation to electricity suppliers ended in February 2024, so the 2024 cost only relates to January. The component consisting of the reduction in excise duty on electricity (formerly the TICFE and TCCFE) will be discontinued in two stages: the duty was partially restored in February 2024 and the plan is to restore it in full in February 2025, resulting in a residual cost of €0.5bn in 2025 with respect to January 2025. In addition, the "electricity shock-absorber" and the one-stop shop to help the most energy-intensive businesses pay their electricity bills have been partly extended in 2024.[32]

The impact of these measures on the government balance is partially offset by the increase in certain types of revenue related to energy prices:

- Public service energy obligations include a series of arrangements to subsidise renewable energy production, as well as other obligations, such as support for areas that are not connected to the national power grid and support for social measures. The amount of the subsidies for renewable energy production – determined by the positive or negative gap between the floor price set by contract and the market price of electricity – has shrunk considerably with high market prices and produced central government revenue that is recognised as aggregate tax and social security contributions in the national accounts.
- The contribution on infra-marginal revenue from electricity generation aims to cap electricity producers' revenue. It was introduced in the 2023 Initial Budget Act following the European Regulation on an emergency intervention to address high energy prices (Council of the EU agreement of 30 September 2022).
- The one-off solidarity contribution (CES) is levied on the exceptional profits of enterprises in the extractive, oil refining and coking product manufacturing industries.

The figures presented in this box are subject to a great deal of uncertainty because of their direct link to market prices for energy.

[32] The "electricity shock-absorber" has been extended for existing contracts and the one-stop shop has also been extended, although it is more restrictive than in 2023.

Table 22. Spending impact of support measures to cope with inflation on the government balance (€ bn)

Spending impact of support measures and price caps (€ bn)	2021	2022	2023	2024	2025
Gas price cap – compensation for suppliers	0.4	4.5	2.0	0.5	-
Electricity price cap – cuts in consumption taxes on electricity for end-users	0.0	6.2	8.8	4.0	0.5
Electricity price cap – compensation for suppliers	0.0	10.4	15.1	2.8	-
Inflation benefit	3.8	-	-	-	-
Fuel rebate	-	7.7	-	-	-
Exceptional back-to-school benefit	-	1.1	-	-	-
Early increase in pensions and social benefits	-	6.7	1.6	0.1	-
Kilometric scale for tax deductions	-	0.4	0.6	0.5	0.4
Commercial electricity bill reduction and price guarantee for VSEs (additional commercial electricity bill reduction)	-	-	1.9	0.4	-
One-stop shop to help businesses pay their electricity bills	-	0.6	1.7	0.1	-
Sectoral subsidies	-	0.9	0.1	-	-
*Support vouchers for low-income households**	0.5	1.2	1.1	-	-
Total	**4.7**	**39.5**	**32.9**	**8.4**	**0.9**
*Cut in public service energy obligations***	-1.9	-9.0	-7.9	-2.2	0.7
Contribution on infra-marginal revenue from electricity generation (CRI)	-	-0.4	-0.3	-0.1	-
One-off solidarity contribution (CES)	-	-0.1	-	-	-
Increase in hydroelectricity royalties	-0.1	-0.2	-0.4	-0.7	-0.8
Total of changes in public service energy obligations, revenue from hydroelectricity royalties, from the one-off solidarity contribution and the contribution on infra-marginal revenue	**-2.0**	**-9.7**	**-8.6**	**-3.0**	**-0.1**
Total net of changes in public service energy obligations, revenue from hydroelectricity royalties, from the one-off solidarity contribution and the contribution on infra-marginal revenue	**2.7**	**29.8**	**24.3**	**5.4**	**0.8**

** One-off energy vouchers, "heating fuel oil" vouchers, "fuel wood" vouchers and the fuel rebate.*

*** The savings indicated are the difference between the level of public service energy obligations to date and the level forecast by the Energy Regulation Commission in July 2023, before the price caps were implemented (€8.0bn in 2021, €8.8bn in 2022, assumed to be constant from 2023 onwards).*

6

Trajectory assuming that the structural primary balance remains at its 2024 level

Table 23. Unchanged policy scenario (Structural balance at 2024 level)

	2023	2024	2025	2026	2027	2028	2029
Gross debt (% of GDP)	109.9	112.9	116.0	119.1	122.2	125.2	128.8
Government balance (% of GDP)	-5.5	-6.1	-6.3	-6.5	-6.6	-6.7	-6.9
Structural primary balance (% of potential GDP)	-3.2	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6
Cyclical balance (% of GDP)	-0.3	-0.4	-0.4	-0.3	-0.2	0.0	0.0
Interest expenditure (% of GDP)	1.9	2.1	2.2	2.5	2.8	3.0	3.3
Long term interest rate (%)	2.7	3.3	3.6	3.7	3.7	3.7	3.7
Short term interest rate (%)	3.8	3.3	3.0	3.0	3.0	3.0	3.0
Nominal interest rate on debt (%)	1.7	1.8	2.0	2.2	2.4	2.6	2.7
Potential GDP (growth rate)	1.2	1.2	1.2	1.2	1.2	1.2	1.0
Real GDP (growth rate)	1.1	1.1	1.1	1.4	1.5	1.5	1.0
GDP deflator (growth rate)	5.3	2.3	1.7	1.6	1.6	1.6	1.6
Nominal GDP (growth rate)	6.5	3.5	2.9	3.0	3.1	3.1	2.7

In a counterfactual scenario in which the structural primary balance remains at its 2024 level from 2025 onwards, the government balance and debt ratio would deteriorate gradually, to -6.9% of GDP and 128.8% of GDP respectively in 2029. Efforts made by the Government starting in 2025, and then continued according to the trajectory presented in the national medium-term fiscal-structural plan (MTP) for 2025-2029 will reduce the deficit to 3% and the debt ratio to 115.8% by 2029.

Appendices: methodology

1

National accounting system

Box 1: The shift to national accounts with a base year of 2020

In 2024, the vast majority of European Union countries changed their base year as recommended by the European Commission's statistical office Eurostat. In France, INSEE made the change in May 2024, shifting to national accounts with a base year of 2020.

Changes in the base year happen regularly, with the most recent ones occurring in 2011, 2014 and 2018. The change in base year means that all national accounts series are recalibrated on the basis of better source data, while some methods are adjusted in order to describe more effectively how the economy works. Changes in base year can, because of methodological changes alone, lead to revisions in public finance aggregates such as the government balance, total expenditure and total revenue.

The adoption of a 2020 base year was an opportunity to update the scopes of the various institutional sectors in order to better reflect economic changes and take into account European recommendations, in particular, for the general government scope. The main consequences for public finance aggregates are given below.

The change in methodology related to the shift to national accounts with a base year of 2020 increased the deficit by 0.1 percentage points of GDP. This impact on the government balance is mainly due to the Additional Retirement Scheme Institution for the Civil Service (ERAFP) – presenting a structural surplus – being excluded from the coverage for public administrations. INSEE takes the view that the ERAFP, which is independent in carrying out its remit and operates on a funded basis, must be regarded as a pension fund and reclassified as a financial corporation.

The shift in the national accounts to a 2020 base year has also led to methodological changes that significantly affect public finance ratios without affecting the government balance, including a much higher level of government expenditure and revenue excluding taxes and social security contributions. There are two main factors behind that increase: (i) the integration of SNCF Réseau's full accounts (only the balance was previously included), leading to an increase in revenue excluding taxes and social security contributions and expenditure of around €10bn and (ii) a new accounting treatment of adjustments related to research and development, leading to an increase in revenue excluding taxes and social security contributions and expenditure of around €4bn.

The adoption of 2020 as the base year also led to a slight downward revision in GDP and, more significantly, in certain macroeconomic aggregates and ratios.

The general government scope

Protocol no.12 on the excessive deficit procedure, appended to the European treaties, defines the scope for calculating the deficit figures used to implement the Stability Programme: *""government" means general government, that is central government, regional or local government and social security funds, to the exclusion of commercial operations, as defined in the European System of Integrated Economic Accounts".*[33]

The European System of Accounts 2010 (ESA 2010) defines **general government** bodies.

They include:

- public-sector bodies that manage and finance activities consisting mainly of providing non-market goods and services for collective consumption;
- non-profit institutions (non-market producers) controlled and mostly financed by the general government.

[33] France's four overseas *départements* and regions (Guadeloupe, Martinique, French Guiana and Réunion) are part of the authorities that exist in France's economic territory, and so are in the APUL sub-sector, as is Mayotte, which in 2011 became France's fifth overseas *département*. However, overseas authorities (Wallis and Futuna, Saint-Pierre and Miquelon) and overseas countries (French Polynesia and New Caledonia) are classified within the "Rest of the world", outside of the French general government scope.

For example, the French Transport Infrastructure Financing Agency (AFITF) is mainly funded by resources allocated to it by the central government, and so is part of the general government scope. However, state-owned enterprises that produce market goods and services, like La Poste and RATP, fall outside the scope. The scope of the general government sector is not always easy to define. For example, the Solidarity Fund for Development (FSD), created in 2005 to collect the air ticket levy intended to fund efforts to combat major pandemics in developing countries, is managed by the French Development Agency (AFD), which is not part of the general government. However, INSEE – which compiles France's national accounts – took the view that the FSD itself is part of the general government as an "other central government agency" (ODAC). In practical terms, four sectors are usually distinguished within the "general government" sector:

- **the central government** for transactions recorded in the general budget, specific budgets, special appropriation accounts and the Treasury's equity holding transactions; it also brings various funds into the national accounts (see below).
- **other central government agencies (ODACs)**, together with the central government, make up all of central government bodies (APUC). These bodies are funded mainly by central government subsidies and/or through the allocation of revenue voted for in a budget act. They may directly manage a public service in the higher education field, such as the French National Centre for Scientific Research (CNRS) or a university or *grande école*. The central government may put them in charge of intervention policies in fields as diverse as innovation and research (National Research Agency – ANR), transport (AFITF and SNCF Réseau in particular), healthcare (regional health agencies), development (the FSD for example) and broadcasting (France Télévision and its subsidiaries). ODACs also include public-sector entities that manage financial assets (BPI France Participations for Finally, the Social Security Debt Repayment fund (CADES) and the Pension Reserve Fund example) or financial liabilities (the Public Debt Fund – CDP – in particular). In 2018, INSEE decided to include public broadcasting and SNCF Réseau within the scope of general government bodies (and more specifically of ODACs), having previously classified them as non-financial corporations. Action Logement Services, a company, has also been regarded as an ODAC since the 2021 semi-final account. The shift to national accounts with a 2020 base year has also led to new entities being included within the scope of ODACs: the Geological and Mining Research Office, the National Institute of Geographic and Forest Information (IGN) and the National Institute of Preventive Archaeological Research (INRAP).
- **local government (APUL)** includes all local authorities (regions, *départements,* municipalities and groupings of municipalities) located within the economic territory as defined by the national accounts, but also other local public authority bodies (ODALs), e.g. municipal social action centres, school meal funds, *département* fire and emergency services, middle and high schools, associations of local authorities and chambers of commerce, industry and trade; since the provisional account of May 2016, Société du Grand Paris (SGP) has been classified as an ODAL rather than an ODAC. More recently, at the time of the provisional account of May 2020, Société du Canal Seine-Nord Europe (SCSNE) was reclassified in the same way. When the 2020 base year was adopted, *département* homes for disabled people and tourist offices were added to the scope of APUL, while private nurseries were classified as non-financial corporations.
- **social security funds (ASSOs)** comprise hospitals and all social security systems – the general system and specific systems[34] – along with supplementary pension schemes (Agirc, Arrco, Ircantec). They also include unemployment insurance funds.

[34] Except for "employer funds" through which the employer itself insures its employees against social risks.

Finally, the Social Security Debt Repayment fund (CADES) and the Pension Reserve Fund (FRR) are also ASSOs. When the 2020 base year was adopted, the ERAFP was reclassified as a financial institution, outside of the general government scope. The dividing line between general government sub-sectors is not always easy to define, and changes over time. Since the annual accounts of May 2014, three funds previously classified as ODACs have been included in the central government category (The National Social Inclusion Benefit Fund – FNSA, the National Housing Assistance Fund – FNAL, and the Agricultural Contingency Fund – FNGRA).

The accrual basis of accounting

This notion implies that:

- government expenditure in the national accounts is linked to the year in which the legal obligation constituting a liability arises ("trigger event");
- government revenue in the national accounts is linked to the year in which it is due.

In budget accounting, expenditure and revenue are linked to the year in which they give rise to an outflow or inflow of money respectively. In this respect, therefore, the national accounting system is more similar to the general accounting system, which is based on the principle of recognising rights and obligations. It should be noted that the central government also carries out commitment accounting. It is part of budget accounting, which also includes accounting for payments. Commitment accounting should not be confused with accrual accounting, because an expenditure commitment may arise before the rights of the central government's creditors are legally recognised. The central government's commitment accounting records transactions that are eventually likely to result in the central government owing an obligation to pay. That obligation will not arise until the service is provided. It is at that point that the national accounts will recognise a third party's right to be paid. It is because of that rule that, by way of example, the interest expense recorded in government expenditure with respect to year N does not correspond exactly with the amounts paid to the general government's creditors when coupon payments are made.[1]

[1] To that figure is first added accrued interest representing the payment entitlements acquired by the creditor, calculated on a pro rata basis based on the time between the payment of the last coupon and the end of the calendar year, along with deferred issue discounts. Symmetrically, from that figure is deducted accrued interest recorded with respect to the previous year but that was actually paid in year N, along with deferred issue premiums.

2

Government expenditure analysis

Background

According to American economist Richard Musgrave, government expenditure can fulfil three roles: allocation of resources (to fund public goods and services), redistribution (to correct inequalities) and macroeconomic stabilisation (to smooth out cyclical variations in activity).

There are a large number of public-sector entities, which does not make it easy to identify the economic effect of choices made with respect to government expenditure. It is therefore important to clarify the concept of government expenditure and its role.

Government expenditure is the expenditure incurred by the whole of general government. However, this apparently simple definition actually raises two methodological difficulties:

- The first relates to how we determine the general government entities that are taken into account. It is easy to identify the central government and local authorities as general government departments. However, for a large number of organisations that operate at the border between public and private sectors, and that are only partly controlled by public authority, putting them into that category may be a complex process.
- The second relates to the definition of expenditure. By way of illustration, levies on revenue paid to local authorities are not legally considered expenditure in the central government budget. However, by their nature they are not much different from budget expenditure allocations made to local authorities, which are recorded as expenditure in the national accounts.

As a result, the way expenditure is measured depends on the accounting rules adopted. To facilitate international comparisons, in the early 1990s five international organisations (the European Commission, IMF, OECD, UN and World Bank) harmonised the concepts used in the System of National Accounts (SNA 93). That system was updated in 2008 (SNA 2008).

The criteria defined by the Maastricht Treaty for the adoption of the single currency and the co-ordination of economic policies within the euro area increased the need for a common framework of standards applicable to the government expenditure and revenue of European countries. The European System of Accounts (ESA 2010), based on SNA 93, constitutes that framework for all European Union countries.

In this appendix, government expenditure is understood as spending carried out by the whole of general government. It is therefore not limited to the central government and is very different from the notion of budget spending, because it obeys accounting standards that are distinct from cash-based accounting (see previous section).

The concept of government expenditure in the national accounts

The national accounts seek to determine what, by its nature, constitutes expenditure, regardless of its name, and whether or not it produces a cash flow. The main criterion is that spending is a transaction that makes the government entity concerned poorer, in the sense that its net current financial assets decrease (either through a decrease in financial assets or an increase in financial liabilities).

Expenditure resulting in fixed non-financial assets (real estate, roads, ports etc.) either reduces the financial assets of the government entity within the meaning of the national accounts or increases its financial liabilities. The construction of a road (a physical asset) will be regarded as expenditure (generating an equivalent borrowing requirement), while the acquisition of a stake in a motorway company will be regarded as a financial transaction (with no impact on the borrowing requirement in the national accounts).

In practical terms, this definition excludes from government expenditure certain transactions that do qualify as expenditure in the budgetary sense:

- Purchases of financial securities do not constitute government expenditure within the meaning of the national accounts. They do not involve any decrease in the general

government's net financial assets, but only a reallocation of those assets from cash to securities.

- Capital contributions to a company can also be excluded from government expenditure if they lead to an increase in the central government's interest in that company, and therefore in the central government's assets. However, if those contributions represent sunk costs, they will be regarded as expenditure.
- Loans to private-sector organisations or foreign governments are regarded as financial transactions and so do not affect the general government's borrowing requirement or lending capacity, or its net assets in the balance sheet.

However, transactions that have no budgetary impact, such as writing off a receivable (for example after debt forgiveness by Paris Club creditors) are recorded as government expenditure in the national accounts. If a government department writes off a receivable, this reduces its net financial assets by the amount of that receivable.

For the national accounts, this can result in items being recorded as expenditure that have never had an associated cash flow. The absence of any cash flow does not preclude the existence of expenditure, provided that the government department's liabilities are increased by an amount that legally constitutes the debt. This applies for example where benefits paid on behalf of the central government do not result in a strictly identical amount of expenditure in the central government's budget, for example due to a lack of available appropriations (e.g. certain benefits paid by the social security system on behalf of the central government).

Imputed social security contributions

General government entities, and particularly the central government, pay benefits such as pensions and some family allowances directly to their employees and their retirees. As a result, they act as direct benefits plans provided by employers. In economic terms, this situation is no different from the use of a distinct and explicit welfare plan. To ensure that the amount of expenditure does not depend on the practical arrangements for paying the benefit, the convention is that the national accounts record a fictitious contribution equal to the benefit paid (net of employee contributions) as if the employer made a contribution itself. Those flows do not appear in the general government budget. However, they do appear in revenue and expenditure in the national accounts, mainly for reasons of international comparability. The adjustment, which has a neutral impact on the government balance, amounted to €47bn in 2022 according to INSEE.

Levies on revenue

The national accounts regard most levies on revenue as expenditure. For example, the "fourth resource" paid to the European Union falls into this category. ESA 2010 substantially changed the way levies on revenue paid to the EU are recognised: the EU's own resources based on VAT and GNI are now recognised separately under a new expenditure code in the national accounts (D76). This has changed the amount of taxes and social security contributions paid to the EU.

The conventions that make the national accounts different from a cash-based accounting system relate to the four sub-sectors making up the general government. For example, they explain the difference between the central government's budget balance and its lending capacity within the meaning of the national accounts. The list of these adjustments is known as the "adjustment key".

Tax credits

In the national accounts (since ESA 2010), payable tax credits36 are recorded as additional expenditure, not as a reduction in revenue.

The amount recorded in expenditure is the full amount of the receivable recognised by the tax authorities and not just the budget amount imputed or paid. For most tax credits, the overall amount of the receivable is equivalent to the budget amount, either because the payment is immediate, or because timing differences generally cancel each other out year by year. However, two tax credits result in receivables that differ from the budget amount: the Research Tax Credit (CIR) and the Competitiveness and Employment Tax Credit (CICE), whose impact on public finances was fading gradually after it was converted into a permanent reduction in employer social security contributions in 2019. The rules for recording payable tax credits were clarified with the update of the European Manual On Government Deficit and Debt (MGDD) in 2023 for implementation following the switch to the 2020 base year. Now, tax credit expenditure is recorded at the time of the trigger event, i.e. when the economic event giving rise to the entitlement to the tax credit occurs. This new rule significantly changes the timing of revenue and expenditure relating to the CICE tax credit, which means that expenditure relating to the tax credit is brought forward by one year.

However, the aggregate tax and social security contribution rate is calculated net of tax credits in order to remain close to the actual tax burden of economic agents.

For clarity, the Economic, Social and Financial Report highlights the change in government expenditure excluding tax credits.

Recognition of R&D

Research and development (R&D) expenditure is recognised as investment rather than intermediate consumption, which is a change resulting from ESA 2010.

Where R&D is carried out by a general government department, a specific accounting method is adopted to reflect the fact that the R&D gives rise to physical capital. Expenditure in the form of gross fixed capital formation (GFCF) is recognised, resulting in double counting alongside the expenditure that actually is incurred, and the effect on the balance is neutralised by the recognition of production for own final consumption in revenue.

With the adoption of the 2020 base year, expenditure on R&D carried out by a general government entity for itself has increased because of the inclusion of hospital research expenditure and improved use of data.

Types of government expenditure

With the scope having been established, the nomenclature of the national accounts means that government expenditure can be classified by type. The main items of expenditure include:

- Remuneration for public-sector employees, which includes gross wages and salaries as well as actual and imputed social security contributions.
- Intermediate consumption or other operating expenditure, i.e. products incorporated or consumed in the provision of general government services (fuel, telephone charges, office supplies etc.).
- Gross fixed capital formation, which consists of acquisitions of fixed tangible or intangible assets net of disposals; in the national accounts, it is similar to the notion of "investment" (port or road infrastructure, buildings etc.).
- Interest expenses.
- Capital transfers such as investment aid.
- Subsidies and current transfers.
- Transfers to households (e.g. social security benefits).
- Tax credits.

Accounting standards applicable to central government expenditure

The notion of "expenditure" varies depending on the accounting conventions adopted. For the central government, three accounting systems coexist, applying different standards

[36] According to INSEE, "the 2010 European System of Accounts (ESA) distinguishes between two types of tax credits (TC): payable and non-payable tax credits. A tax credit is considered "payable" if the taxpayer can receive a refund from the state when the tax benefit exceeds the amount of tax owed. For example, the earned income tax credit is payable because even households that pay little or no tax can benefit from it in the form of a government payment.

and each with different goals: budget accounting, general accounting and national accounting.

Budget accounting

For expenditure, budget accounting includes commitment accounting and payment accounting.

Commitment accounting reflects the legal commitments made by the central government (procurement processes for example) which, once the service has been provided, will give rise to an obligation to pay the government's creditor.

Payment accounting reflects disbursements. It is governed by a cash-based principle, recording expenditure authorised by budget acts at the time the disbursements take place (Articles 27 and 28 of the French Constitutional Bylaw on Budget Acts). The expenditure and revenue recorded in this way allows for the calculation, at the end of the period, of the fiscal year balance, otherwise known as the budget deficit when it is negative. Payment accounting is intended to ensure compliance with Parliament's decisions regarding expenditure limits, and is used by managers to monitor their use of appropriations and actual expenditure. It is also used to check the central government's cash requirement.

General accounting

The central government's general accounting system only differs from business accounting rules because of certain specific ways in which it operates (Article 30 of the French Constitutional Bylaw on Budget Acts). It aims to describe the central government's net asset position, i.e. its assets (land, buildings, receivables) and liabilities (borrowings, non-financial liabilities). It is an accrual-based, double-entry accounting system. As well as determining the central government's net assets, at the period-end it calculates its operating balance (all revenue recognised during the period less expenditure), shedding additional light on the central government's activity in the period in question in addition to the fiscal year balance.

Central government expenditure transactions give rise to events, contemporaneous or otherwise, in the general and budget account systems. As regards a purchase of goods or services, the legal commitment is the trigger event for the budget accounting, whereas the purchase will only affect general accounting when the service is provided, even if it has not yet been paid for. Budget accounting for payments will not recognise the transaction until the time the creditor is paid.

As an illustration, the treatment of investment transactions in general accounting is different from that in budget and national accounting. A central government investment transaction, in real estate or financial instruments for example, does not result in a decrease in its assets. It does not cause a deterioration in its accounting profit but changes the composition of its assets:

i. if the transaction is cash-settled, the value of the asset remains unchanged but the asset becomes more stable (cash converted into a fixed asset);

ii. if the transaction takes place using credit, assets increase by the same amount as liabilities (recognition of a fixed asset and a liability in identical amounts).

The central government's net assets (difference between its assets and liabilities) remain unchanged in general accounting.

There is another major difference between general and budget accounting: in accordance with private-sector accounting, the central government's new general accounting system recognises non-cash expenses (amortisation, depreciation, impairment and contingency and loss provisions) and links revenue and expenses to the relevant period using the principle of the recognition of rights and obligations, which is not the case in budget accounting. Contingency and loss provisions are not recognised in budget or national accounting.

National accounting

Central government expenditure in national accounting (see Section 3 "Analysis by sub-sector") is spending that allows for the calculation of the central government's borrowing requirement or funding capacity as part of France's European commitments.

Consolidation of government expenditure

The mechanism for consolidating expenditure between general government entities and neutralising scope effects.

To compare changes in expenditure from one year to another, the first adjustment that is needed involves consolidation. We can illustrate the notion of accounting consolidation using two simple examples:

- Subsidies for public service obligations (SCSP) paid by the central government to certain ODACs in order to cover the ordinary expenditure of central government operators. For example, the CNRS received €3.1 bn of central government subsidies in 2021, which would be recognised twice if we added together the expenditure related to the central government transfer and the CNRS's final expenditure within total general government expenditure.
- In the national accounts, the central government's assumption of SNCF Réseau's debt in 2020 constituted expenditure for the central government and revenue for ODACs in an amount of €25 bn. This transfer between general government bodies did not affect the government balance in terms of either government expenditure or revenue.

These reciprocal flows between general government bodies are significant. In 2023, central government transfers to other general government bodies amounted to €135 bn, around 23% of the central government's total expenditure. These transfers are mainly to APULs (through allocations to local authorities for example) and to ODACs (resulting in particular from investments in the future made by operators). Reciprocal transfers between the other sub-sectors (ASSOs, APULs and ODACs) are much smaller.

Consolidating government expenditure consists of eliminating these reciprocal flows between general government bodies. To study the expenditure of all general government bodies, we are therefore interested in "final expenditure", which is connected with the entity that finally ordered the expenditure.

To compare changes in expenditure from one year to the next, the data must be adjusted in a second way: this consists of making the scope of expenditure consistent from one year to the next in each sub-sector. After adjusting for scope effects, changes in expenditure are therefore calculated on a "rolling constant" scope basis, i.e. the growth rate for 2021 is based on the scope of expenditure in 2020.

Adjustments therefore concern the inclusion of entities within the general government sector, as has been the case for SNCF Réseau since 2016 and Action Logement Services since 2020. As regards the breakdown of expenditure between sub-sectors, these adjustments allow us to take into account transfers of powers between sub-sectors – for example, the central government covered social inclusion benefit (RSA) for the Mayotte and French Guiana départements in 2019 and for the Réunion département in 2020 – and the reclassification of a general government department from one sub-sector to another, as was the case in 2021 when the CMU universal health insurance fund, formerly classified within the ODAC sub-sector, was reclassified to the ASSO sub-sector, or the reclassification of la Société du Grand Paris in 2016 and Canal Seine Nord Europe (SCSNE) in 2020 to the APUL sub-sector, whereas they were initially classified within the scope of ODACs.

3

Analysis of taxes and social security contributions

The notion of taxes and social security contributions

The OECD defines taxes and social security contributions using three main criteria:

- the **nature** of the flows, which must correspond with actual payments;
- the **recipients** of the payments: recipients can only be "general government departments" within the meaning of the national accounts, and EU institutions;
- the non-voluntary "**character**" of payments: the obligatory character of payments does not arise from any legal criterion but from two economic criteria, i.e. the absence of choice regarding the amount and terms of payment, and the absence of any immediate consideration.

Within the European Union, although taxes and social security contributions are not defined *per se* in the European System of Accounts (ESA 2010), they are defined according to precise and restrictive criteria for Member States.

In France, those in charge of the national accounts at INSEE decide whether a levy falls into the category of taxes and social security contributions. It is worth mentioning certain accounting conventions. The fact that only actual payments count means that "imputed" taxes and social security contributions are excluded: these constitute consideration for benefits provided directly, i.e. outside any contribution system, by employers to their employees or former employees and their successors. These systems of direct benefits provided by employers mainly concern civil servants.

Also excluded by definition are all levies that are not for the benefit of the general government sector as defined by the national accounts. This convention excludes from the taxes and social security contributions category many of the levies and contributions paid to organisations other than general government bodies (and contributions to professional associations), along with payments to organisations that exist on the border between social security and insurance systems, such as mutual institutions.

Finally, certain levies are not regarded as obligatory because they correspond to a decision by the person paying them that is considered "voluntary", or are in consideration for a service (non-tax-related fines, stamp duty on driving licences, passports, registration certificates etc.).

As a result, the scope of taxes and social security contributions does not include all tax and social security revenue voted for in the central government's budget acts and social security budget acts.

Three types of factors may lead to differences between these amounts.

- Firstly, some adjustments are needed to convert budget revenue as included in budget acts into taxes and social security contributions within the meaning of the national accounts. One such adjustment consists of taking that revenue into account on an accrual basis in the national accounts. The following section *"Going from the central government's budget revenue to taxes and social security contributions in the national accounts"* describes, by way of illustration, the adjustments that must be applied to the central government's budget revenue presented in a budget act in order to produce the central government's taxes and social security contributions within the meaning of the national accounts.
- In addition, some taxes and social security contributions result from autonomous decisions that do not originate from budget acts. This is particularly the case for direct local taxes, which vary according to decisions by local government and are not subject to a vote in Parliament. It is also the case for changes to social security contribution rates (National Union for Employment in Industry and Commerce – UNEDIC, pension funds etc.), which are decided by social partners. Similarly, some levies that provide resources to ODACs and do not pass through the central government's budget can constitute taxes and social security contributions (e.g. the levy on film companies and the levy on vacant homes).

- Finally and conversely, certain types of revenue included in budget acts are not treated as taxes and social security contributions. This is the case for certain professional levies or contributions, for example as part of the social security budget act, or certain non-tax revenue voted for in the central government's budget act.

Nevertheless, the aggregate tax and social security contribution rate, i.e. all taxes and social security contributions divided by gross domestic product (GDP), is the most common summary of taxes and social security contributions found among macroeconomic indicators.

Going from the central government's budget revenue to taxes and social security contributions in the national accounts

The amount of the central government's taxes and social security contributions differs from the amount of net tax revenue as presented in Book 1 of the Ways and Means Assessment, a report appended to the draft budget bill.

Several adjustments are needed to go from the central government's net tax revenue in terms of budget data to the relevant scope of the central government's taxes and social security contributions.

Accrual basis: in the national accounts, levies are recorded when they become payable, i.e. when the event triggering the tax liability takes place (see Section 1 "The accrual basis of accounting"). However, in practice, there may be a time lag between a levy's trigger event (taking the example of VAT, a household's purchase of goods) and the time the revenue is recorded in the central government's accounts (for VAT revenue, declarations take place in the month following the purchase that gave rise to the payment). To neutralise that difference, it is necessary to calculate a time lag that restores the link between the revenue and its trigger event. A time lag is calculated for VAT but also the TICPE domestic consumption tax on energy products.

Some net tax revenues must be deducted because they are not regarded (in part or in full) as taxes and social security contributions within the meaning of the national accounts (single stamp, levies on private radio stations and links etc.).

As well as the central government tax revenues included in taxes and social security contributions, there are also some non-tax revenues, although only a small portion of them (depending on their nature) are included. Similarly, only some cost-sharing contributions and special appropriation accounts are regarded as taxes and social security contributions.

Finally, certain levies on revenue benefiting local government must be deducted to arrive at the central government's taxes and social security contributions.

4

Structural analysis of the government balance

Role of potential growth

Potential GDP is an economy's sustainable level of output, i.e. output that does not put pressure on production factors and particularly on prices and wages. This notion serves as a guide for fiscal policy (regarding medium-term growth) and monetary policy (regarding the risk of inflationary pressure). Unlike GDP or inflation, **potential growth is not observable and must be estimated.**

There are various methods of estimating potential growth, including the direct approach using potential GDP, the statistical approach using observed data (without a model), the filter-based approach and the more economic approach with a **production function** that explicitly breaks GDP down into its various components (labour, capital and productivity). This latter approach, known as the structural approach, is generally used by international organisations and in France's Public Finance Planning Act: differences in estimates stem from differing treatments applied to each component.

The difference between actual output (actual GDP) and its potential level, as a proportion of that potential level, is known as the "output gap". The output gap indicates the economy's position in the cycle.

The structural balance

The structural balance is useful because it separates out the part of the government balance that depends directly on the economic cycle from that which is independent from it, and on which political decisions can therefore have an impact. **Calculating the structural balance relies fundamentally on the definition of the economic cycle and therefore on the difference between actual and potential GDP.** In particular, we see lower revenue and excess expenditure (particularly on unemployment benefit) when GDP is lower than its potential level, and a surplus of revenue and lower expenditure when it is higher (positive output gap).

The structural balance (as a proportion of potential GDP) reflects the government balance that would be observed once GDP has returned to its potential level and after the effects of one-off and temporary measures have disappeared. These concepts stem in particular from European budget rules, from the Stability Programme and the Treaty on Stability, Coordination and Governance, which is enacted in France's domestic law by the Constitutional Bylaw of 1 August 2001 on budget acts.[37] Each year, the government balance can therefore be broken down into:

- a **cyclical component** (reflecting the impact of the position in the cycle on the government balance, i.e. the various items of revenue and expenditure affected by the economic cycle);
- a **structural component** (an estimate of the balance that would exist if GDP were at its potential level);
- **one-off and temporary measures** which, because they do not have a sustained impact on the deficit, are excluded from the assessment of the structural balance.

In practice, the cyclical balance for France represents just over half of the difference between GDP and its potential level. This explains why, in France, items sensitive to the economic cycle represent around half of GDP while the average elasticity of taxes and social security contributions is around 1.

As a result, changes in the government balance result from changes attributable to the economic cycle, the structural adjustment and the impact of one-off and temporary measures. The structural adjustment results from a structural effort (measuring the discretionary portion that political decisions can influence) and a "non-discretionary" component (see below).

[37] Since the 2021 reform, the Constitutional Bylaw of 1 August 2001 has included most of the provisions initially introduced by the Constitutional Bylaw of 17 December 2012 by adapting them.

Box 1: Calculating the structural balance

The nominal balance (S) can be broken down into three components: the structural balance (S^S), the balance of one-off and temporary measures (S^{mpt}) and the cyclical balance. The nominal balance is expressed in percentage points of actual GDP, while the structural balance and the balance of one-off and temporary measures are expressed in points of potential GDP. Differences between actual and potential GDP (denominator effect) affect the cyclical component, which is to be expected because the difference between those amounts is cyclical in nature. The method used to calculate how the balance breaks down into its cyclical and structural components is that of the 2023-2027 Public Finance Planning Act.

ε is defined as the apparent semi-elasticity of the balance, expressed as a percentage of GDP, with respect to the output gap, such that the cyclical component is obtained simply by multiplying it with the output gap. Thus:

$$\frac{S}{Y} = \frac{S^S}{Y^*} + \frac{S^{mpt}}{Y^*} + \varepsilon\, OG$$

In this equation, the numerators and denominators are expressed in billions of euros, Y* refers to potential GDP in nominal terms, Y refers to actual GDP in nominal terms, OG is the output gap ($OG = (Y/Y^*) - 1$) and ε is the semi-elasticity of the balance with respect to the output gap.

This method for calculating how the balance breaks down into its cyclical and structural components is based on the method used by the European Commission: the cyclical component equals the output gap multiplied by an apparent semi-elasticity with respect to the output gap, the value of which is fixed over the entire period covered by the current Public Finance Planning Act. The value selected is 0.57 and is based on:

- Elasticities estimated by the OECD:
  - On the revenue side, it is assumed that all taxes and social security contributions (including the CICE tax credit) depend on the economic cycle while other revenues are regarded as independent of the economy's position in the cycle.
  - On the expenditure side, only unemployment-related expenditure is regarded as cyclical. Other expenditure is regarded as structural, either because it is discretionary in nature, or because its link with the cycle is hard to measure.
- The 2008-2017 average amount of levies as a proportion of total revenue and the total amount of unemployment-related expenditure as a proportion of total expenditure, along with the average amounts of total revenue and total expenditure as proportions of GDP over the same period.

The calculation of the apparent semi-elasticity of the cyclical component with respect to the output gap is set out in the table below. The semi-elasticity can break down into two components:

- The contribution of taxes and social security contributions and unemployment-related expenditure through their respective elasticities and their average level as a proportion of GDP;
- A denominator effect resulting from the difference between actual and potential GDP. This component is equal to the average government balance over the estimate period.
- **Apparent semi-elasticity of the cyclical component with respect to the output gap**

	Elasticities with respect to the output gap (a)	Average amount as a proportion of GDP (b)	Contributions to semi-elasticity (a*b)
Contribution of taxes and social security contributions and unemployment-related expenditure (1)			**0.52**
Personal income tax, general social security contribution (CSG) and social security debt repayment contribution (CRDS)	1.86	7.5%	0.14
Corporate income tax	2.76	1.9%	0.05
Social security contributions	0.63	16.2%	0.10
Other taxes and social security contributions (including VAT)	1.00	18.0%	0.18
Unemployment-related expenditure	-3.23	-1.4%	0.05
Denominator effect (2)			**-0.05**
			Total (1) - (2) = 0.57

Source: calculations based on OECD estimates, calibration period 2008-2017.

By comparison with Act no. 2018-32 of 22 January 2018 (Public Finance Planning Act for 2018-2022), the calculation of the structural balance has been simplified to make it more similar to the European Commission method. Whereas the method used for the previous planning act meant that the apparent semi-elasticity of the cyclical balance with respect to the output gap was calculated each year, the method now adopted involves a fixed average value of the semi-elasticity. This does not reduce accuracy given the uncertainties around the measurement of the output gap.

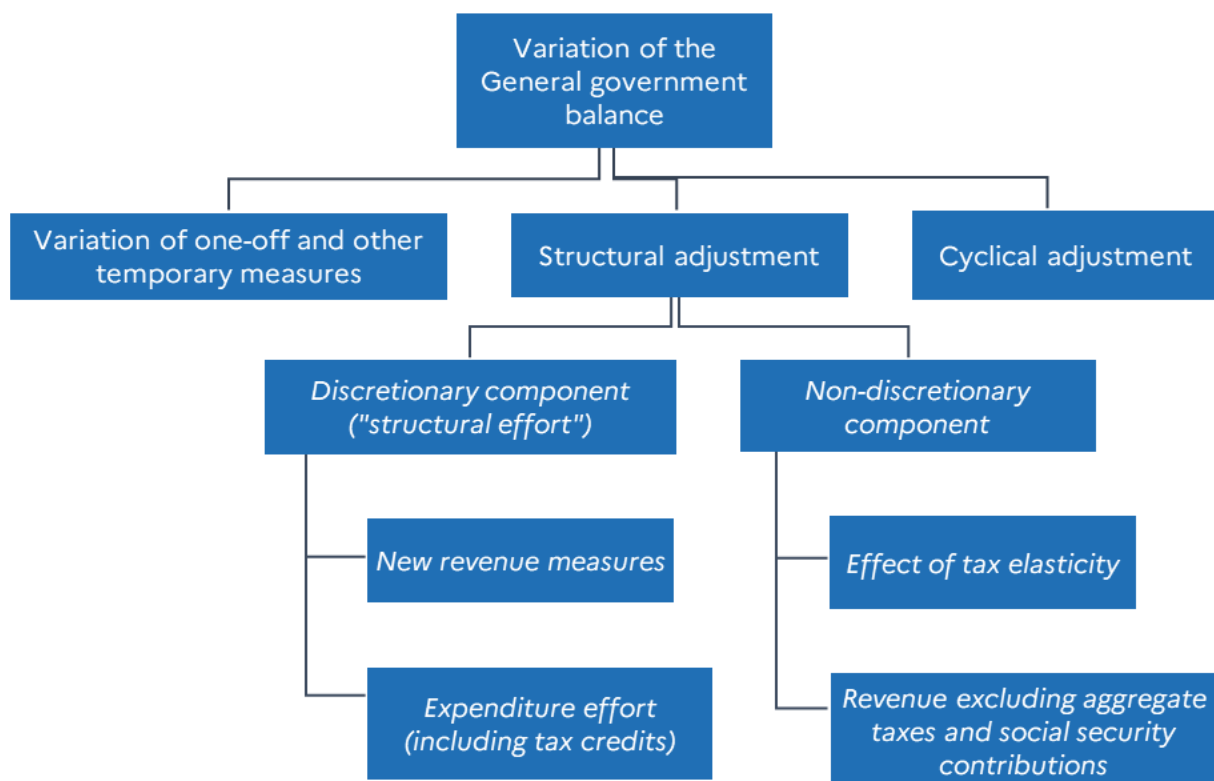
The apparent semi-elasticity value will be determined over the planning period and will be updated in the next planning act to take into account changes in the relative amounts of the various levies, and any revision in estimated elasticities for each levy.

Structural effort

The structural balance must be supplemented by another public finance analysis tool: the structural effort.

Each year, the actual elasticities (at a given point in time) of taxes and social security contributions with respect to the economic cycle fluctuate around their historical average, sometimes significantly: for example, in 2022 taxes and social security contributions overreacted to the increase in output. In practice, the structural balance fully reflects this gap between actual elasticity at a given point in time and average elasticity, whereas the gap corresponds to a **non-discretionary component** of changes in the government balance, i.e. it is outside the control of public sector decision-makers but is still included in the structural balance.

To address this limitation, the structural effort is the part of the change in structural balance that is attributable to discretionary factors.



As a result, the **change in the structural balance** (or structural adjustment) can be broken down into:

- a discretionary component called the "structural effort"; and
- a non-discretionary component.

The **structural effort** can in turn be broken down into a revenue effort (new measures regarding taxes and social security contributions) and an expenditure effort.

- The **revenue effort** is defined as the amount of new measures regarding taxes and social security contributions (including tax credits but excluding one-off and temporary measures).

- The **expenditure effort** is measured relative to potential growth: there is an expenditure effort if real structural expenditure[38] (adjusted using the GDP deflator) increases less quickly than potential growth, and vice-versa.

The non-discretionary component of the structural adjustment corresponds to two terms:

- **The contribution of revenue other than taxes and social security contributions** that is regarded as non-discretionary (corresponding to the change in revenue other than taxes and social security contributions excluding exceptional measures as a proportion of potential GDP).
- **Tax elasticity effects,** which correspond to the difference between the spontaneous change in revenue from taxes and social security contributions and that in nominal GDP.

[38] Structural expenditure is government expenditure including tax credits, excluding one-off and temporary expenditure measures and cyclical effects on unemployment-related expenditure.