RÉPUBLIQUE FRANÇAISE

2024

DRAFT BUDGETARY PLAN

Economic and fiscal outlook

Table of contents

ECONOMIC POLICY STRATEGY 4
ECONOMIC OUTLOOK 31
FISCAL OUTLOOK 40
APPENDIX 56
1. Status of country-specific recommendations 2022 57
2. Detailed forecast tables – economic outlook 83
3. Detailed forecast tables – fiscal outlook. 88

List of boxes

Household support and protection measures were effective in mitigating against rising energy prices 8

Helping jobseekers return to work through France Travail and the contracyclical unemployment insurance reform 13

The France 2030 Plan 16

Green Industry Bill 17

The Versailles Agenda and the European Union's industrial policy 17

The EU's environmental initiatives 23

The REPowerEU Plan 27

The energy saving plans and their results 28

Evaluation of the Public Finance Symposium and spending reviews 30

How much catch-up potential is there in the French economy? 34

Review of the forecasts for 2023 and 2024 36

Authority responsible for producing forecasts and statement regarding the independent nature of the forecasts 37

Comparison with forecasts by the European Commission and international organisations and with Consensus Forecasts 38

Emergency support measures and the recovery plan 44

Measures to support households and businesses in coping with inflation 45

Economic policy strategy

Introduction

Despite a deteriorating international environment, France's economy has continued to grow, thanks to bold reforms undertaken by the government and measures introduced in response to the energy crisis to protect households and businesses. Building on reforms to boost economic activity and employment, France is continuing to transform its economic model by bolstering public initiatives in the areas of the green and digital transitions, education and employment as a means of integration.

2022 was a year of robust growth.

2022 delivered another economic shock to France with Russia's invasion of Ukraine, which sent energy and commodity prices soaring, disrupted the supply of some products and led to heightened uncertainty.

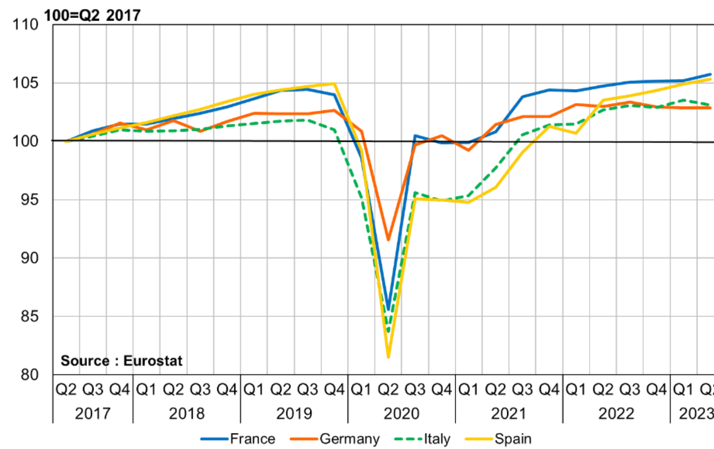
The government took immediate action to protect the households and businesses hardest hit by rising prices, particularly energy prices. A number of support measures were introduced as early as end-2021: energy price caps, targeted support for energy-intensive businesses, commercial electricity bill reductions, a one-stop shop for help with paying energy bills or a "safety net" for local authorities, targeted cheques and fuel rebates for households, etc. In total, the gross cost of these support measures for the public purse came to €44bn in 2022, or a net cost of €32bn after deducting the cut in public service energy obligations and contributions on infra-marginal revenue. In addition to these targeted measures, households and businesses were further supported by the creation of financial participation schemes and tax cuts (continued phasing out of residence tax, elimination of the public broadcast licence fee, etc.).

France's GDP grew by 2.5% in 2022, which is strong compared with our main European partners (see Chart 1). In the wake of the post-COVID recovery, France's economy was driven by strong consumer spending (up 2.1%) and business investment (up 3.6%). The strength of the French economy is in line with a trend dating back to 2017. France's cumulative GDP growth since 2017 is higher than that of its main neighbours, coming in at 4.4% compared to 2.8% in Germany and 2.3% in Italy. Inflation came in at an annual average of 5.2% in 2022, primarily attributable to soaring energy prices (up 23.1%) and higher food prices (up 6.8%). But in HICP terms it remained the lowest in the euro area and the European Union, thanks to measures undertaken by the government, particularly price caps (see Chart 2).

Household purchasing power was protected in 2022. The purchasing power of households, i.e. income adjusted for inflation, grew by 0.2% compared to 2021, despite the sharp rise in imported energy prices and the resulting loss of wealth for the country. France's growth in purchasing power is in contrast to an average decline of 0.1% in the euro area as a whole. France's support measures are estimated to have absorbed more than half of real income losses caused by the energy price shock in 2022 (see Box 1).

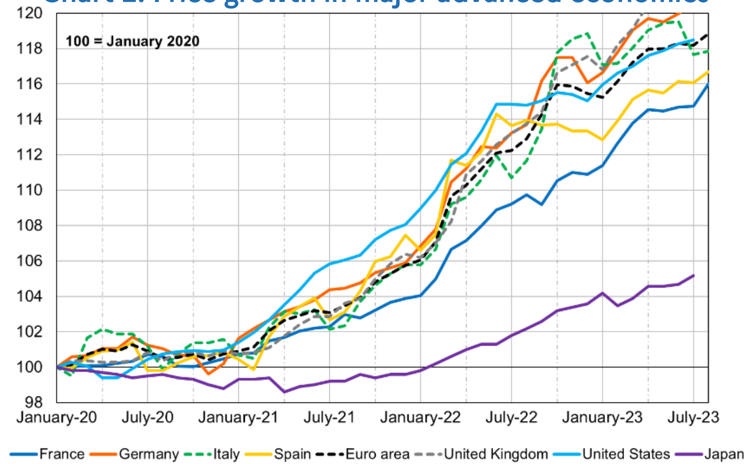
The strength of the labour market is also a sign of a resilient economy (see Chart 3). Unemployment is near a 40-year low (7.2% in Q2 2023), having come down across all age categories compared to pre-COVID levels, and the employment rate is at its highest level since 1975 (68.6% in Q2 2023).

Chart 1: Comparison of GDP growth in major euro area economies



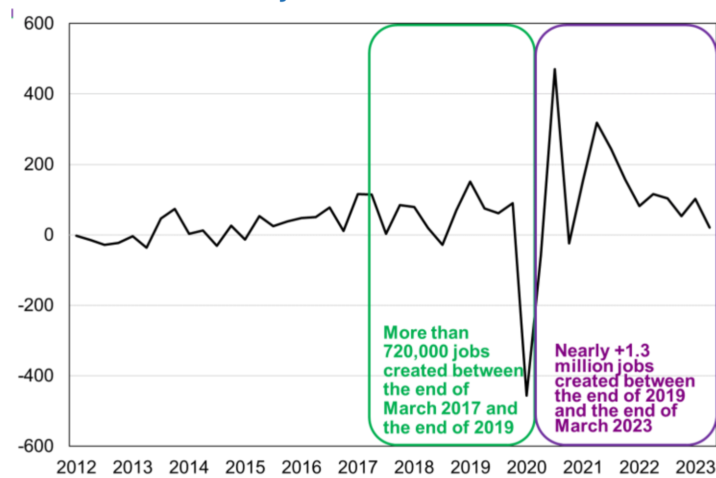
Source: Eurostat

Chart 2: Price growth in major advanced economies



Source: Eurostat (HICP); ONS, US Bureau of Labor Statistics, and MIAC (CPI). Last points: March 2023, except United Kingdom and Japan: February 2023

Chart 3: Job creation since 2012



Source: INSEE, quarterly jobs estimates.

And while the energy crisis inevitably weighed on France's trade balance in 2022, a healthy services balance and strong income point to the increased appeal of the French economy. Like most European economies that are net importers of commodities, France saw its goods trade balance decline in 2022 (-163bn€), more than 80% of which is attributable to a two-fold increase in France's energy bill (a cost of €45bn in 2021 vs €115bn in 2022). Stripping out energy and military spending, the decline is more moderate, despite the international environment, with the trade deficit up just €10bn over 2021. In contrast, the services trade surplus came in at a record €53 bn (compared to €36bn in 2021), driven by a post-COVID tourism boom, growth in maritime transport services (tied to rising freight prices) and an increase in exports of financial services. Growing 21.8% between 2021 and 2022, exports of financial services, which accounted for a record surplus (€10.4bn in 2022), benefited from positive factors such as Brexit-related relocations and a more diversified service offering in Paris, which has become the European Union's leading financial marketplace.

Economic growth is expected to remain solid in 2023 and 2024.

Economic activity picked up in Q2 2023 (up 0.5%) with growth expected to come in at 1.0% for 2023. The resumption of production in sectors affected by supply chain disruptions, such as the aerospace and automotive industries, meant that foreign trade was a strong contributor to growth in the first half of 2023 (adding 0.7 percentage points) and industrial production was up (six-month-on-six-month growth of 1.6%). Foreign trade figures for the first six months of 2023 show a significant improvement in the trade balance, in energy as well as manufacturing, and confirm France's appeal in terms of exports of services.

After peaking in early 2023, inflation has come down thanks to decreasing energy prices, easing supply chain disruptions and measures undertaken by the government to limit price increases. Inflation is forecast to come in at an average of 4.9% for 2023, which is down compared to 2022 but has a very different composition: core inflation is set to outpace energy inflation as the initial commodities price shock dissipates along value chains.

Public finances will remain in deficit in 2023. Owing in particular to continued strong inflation protection measures for households and businesses, the general government balance is expected to stand at -4.9% of GDP in 2023 (compared to -6.5% in 2021 and -4.8% in 2022), and the government debt is forecast to come in at 109.7% of GDP (compared to 111.8% in 2022 and 112.9% in 2021).

In 2024, growth is projected to exceed its trend rate (1.4%), driven by an upturn in purchasing power due to stronger growth in wage income than prices, and partial catch-up effects affecting consumer spending and foreign trade. Inflation is expected to keep falling, coming in at an average of 2.6% for the year. The phasing out of support measures to help businesses and households cope with rising energy prices will result in a significant reduction in government expenditure, bringing the **government deficit down to -4.4% of GDP.** The debt ratio is forecast to stand at 109.7% of GDP in 2024.

Box 1: Household support and protection measures were effective in mitigating against rising energy prices

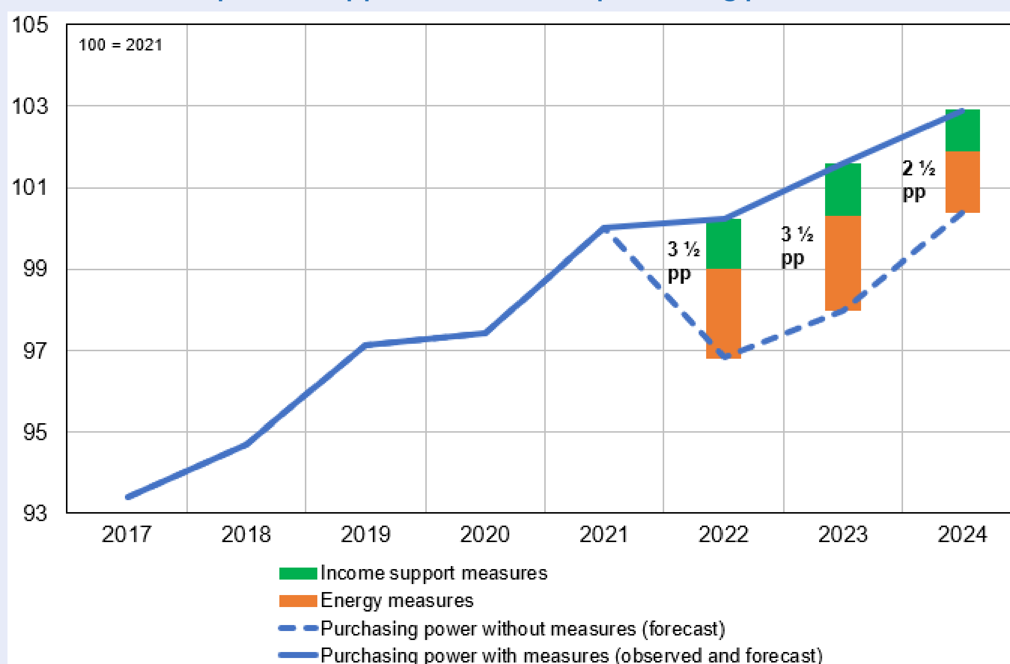
To protect and support France's households, a price cap was introduced to freeze the regulated prices for gas as of October 2021 and limit increases to the regulated selling prices for electricity to 4% (including taxes) as of February 2022. In early 2023, the measure was extended, limiting further price increases for both gas and electricity to 15% (including taxes), and 10% (including taxes) for electricity as of August. As gas prices returned to normal, the price cap was ended in June 2023, whereas the electricity price cap has been extended until the end of 2024.

Alongside measures to combat inflation, measures were introduced to directly support household income, including a rise in the civil service base pay, an increase in the profit-sharing bonus, an early increase to pensions and benefits, housing benefits created under the Act on emergency measures to safeguard purchasing power, and a one-off solidarity payment in September 2022 to recipients of minimum social benefits. These household support measures total €20.5bn for 2022, €21.4bn for 2023 and €17.5bn for 2024.

All anti-inflation and income support measures combined between 2022 and 2024 are expected to contribute approximately 2.5 percentage points to increased purchasing power, which accounts for substantially all of the rise over the period. Without these measures, French households would have seen their purchasing power decline by some 3 ½ percentage points in 2022[1] and remain flat over the 2021–2024 period, compared to a projected increase of approximately 3 points as a result of the support measures.

To support households in terms of non-energy expenses, particularly the most vulnerable households, the government introduced other large-scale measures: a one-off energy subsidy of between €100 and €200 for 12 million low-income households, as well as subsidies for households heated by fuel oil (€100 to €200) and firewood (€50 to €200), and a motor fuel rebate, which was replaced in early 2023 by a €100 fuel voucher for low-income workers who commute using their vehicle (10 million eligible households).

Impact of support measures on purchasing power



Source: INSEE, DG Trésor calculations

[1] The inflation benefit, which was paid to approximately 38 million people for a total of €3.8bn, was recorded by INSEE in 2021.

France is continuing to pursue its economic policy strategy to strengthen productivity, fairness, and autonomy

The fact that France's economy has remained strong despite successive crises is a testament to the effectiveness of the government's economic policies over the past six years. To address the structural challenges facing its economy, which were aggravated by the crises, the government is continuing to pursue its efforts, with a bold roadmap designed to maintain and strengthen the positive performance of the labour market, reindustrialise the economy, deliver the green and digital transitions, and keep public finances under control without jeopardising the economic outlook. The challenge for the coming years will be to combine social cohesion with the acquisition of skills the economy needs. This will involve education, integration through employment, the development of expertise and matching it to business needs, and more efficient public services for the most vulnerable members of society.

The economic policy strategy has four main areas of focus:

- Achieve full employment and reindustrialise the economy
- Build on existing progress and overhaul our public services
- Plan and fast-track the green transition
- Control public expenditure and ensure that public finances are on sustainable footing

1. Achieve full employment and reindustrialise the economy

Building on the reforms that have been introduced since 2017, the government is aiming to ensure that the economy continues to create jobs and reindustrialise, which will have the effect of reducing poverty, promoting integration through employment, generating economic growth and improving public finances. The rising employment rate and easing skills shortages have helped to reduce inequality through work-based integration and will also ensure the economy has the skills and expertise required for it to grow. Continued reindustrialisation efforts, initiated as part of the France 2030 Plan, among others, will help to increase the appeal of France's regions and promote productivity and innovation gains, while also improving France's strategic independence in the technologies and industries of the future.

1.1 Achieving full employment

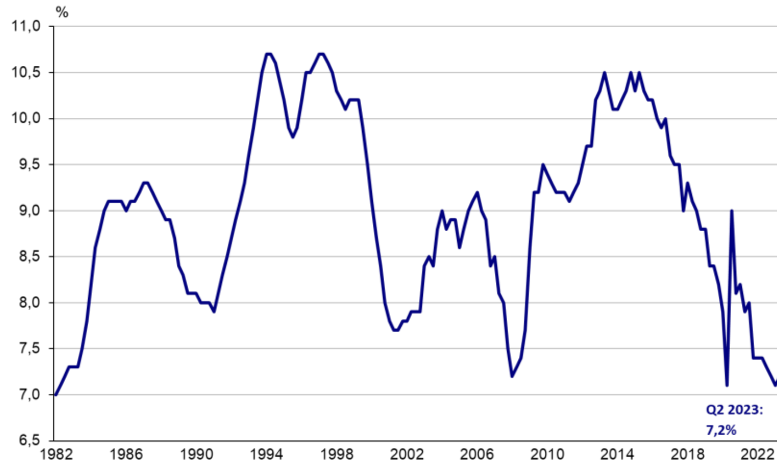
The policy being pursued by the government since 2017 to lower unemployment and improve the employment rate is bearing fruit, contributing toward the objective of achieving full employment by 2027.

France's unemployment rate has been declining since 2017, coming down from over 9.0% in 2017 to 7.2% in Q2 2023. The annual average for 2022 marks a 40-year low (see Chart 4), despite the recent succession of economic shocks. The decline is particularly steep among 15- to 24-year-olds, where the unemployment rate is down 5.0 percentage points from end-2019 to stand at 16.7% in Q2 2023. This cohort has benefited form an uptick in apprenticeship contracts. According to DARES (the statistics division of France's Ministry of Labour), new apprenticeship contracts more than doubled between 2017 and 2022, with 830,000 new contracts in 2022 compared to 305,000 in 2017. By end-2022, the number of apprentices was close to one million (967,700). France has seen a near continuous rise in the employment rate among 15- to 64-year-olds, which stood at 68.6% in Q2 2023, its highest level since 1975, the year it began being measured by INSEE (France's national institute of statistics and economic studies).

The improvement in the employment rate coincides with an improvement in employment quality. The rate of full-time employment stood at 57.2% in Q2 2023, up 4.4 percentage points since Q1 2017, bringing it to its highest level since INSEE began measuring it on a quarterly

basis (2003). The rate of employment on a permanent-contract basis (50.5% in Q2 2023) is 1.9 percentage point higher than in Q1 2017, compared to the rate of employment on a temporary-contract basis, which has declined slightly from its Q1 2017 level (down 0.2 percentage point to 5.5% in Q2 2023).

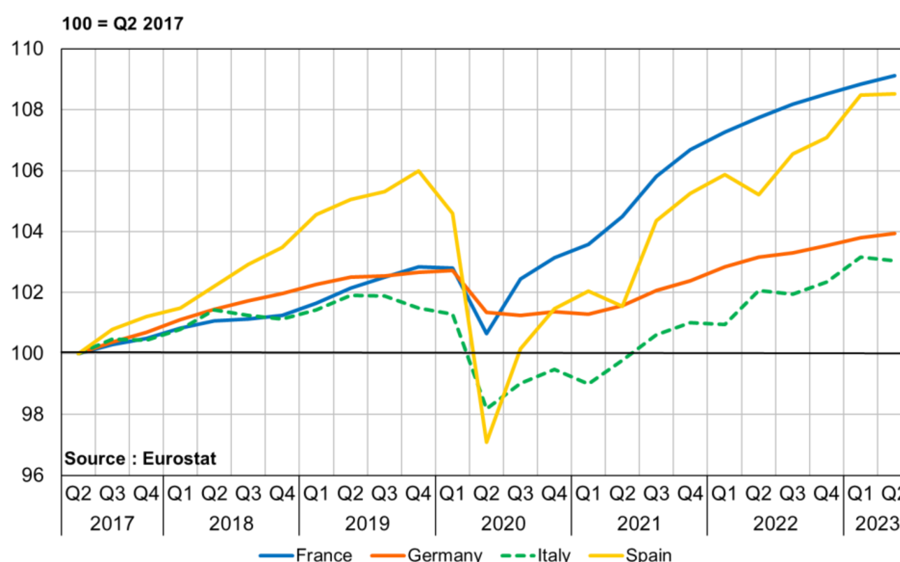
Chart 4: Quarterly unemployment rate (ILO definition) in France (excluding Mayotte) since 1982



Source: INSEE

With some 2 million salaried jobs created since 31 March 2017, almost all of them in the private sector (1.9 million jobs), the government's policies are working and helping to profoundly transform the labour market. The strength of France's employment is particularly striking when compared to other European economies (see Chart 5). A string of labour market reforms since 2017 have helped to create jobs, including: reforms to make the labour market more flexible; the conversion of the Competitiveness and Employment Tax Credit (CICE) into a permanent cut in social security contributions and the increase of tax breaks for low earners, which lowered the cost of labour; the expansion of apprenticeships, with a target of 1 million apprenticeship contracts per year through to 2027; and youth employment contracts to help young people enter the job market.

Chart 5: History of employment rates in main euro area economies



Source: Eurostat

Achieving full employment will require enhancing return-to-work incentives. This is the goal of recent unemployment insurance reforms, particularly the contracyclical unemployment insurance reform introduced in February 2023 (see Box 2). In addition to ensuring the viability of the pension system, the 2023 pension reform will also help to increase the size of the workforce and raise the employment rate: the projected 2070 activity rate for 55- to 69-year-olds is 4.5 percentage points higher than 2022 projections. An even bigger impact is projected among 60- to 64-year-olds, with an increase in the activity rate of 10.9 percentage points.[2] Partial retirement and various support schemes will also help older workers remain in the workforce.

The government will continue to pursue initiatives to encourage skills development based on the needs of businesses, to enhance return-to-work incentives and provide support to the people furthest removed from the labour market.

The agenda of reforms for full employment aims to better integrate the people furthest removed from the labour market and ease skill shortages in strategic and growth sectors. The transformation of the national employment agency, whose name was changed from *Pôle Emploi* to *France Travail*, and enhanced support for recipients of the social inclusion benefit (RSA) will ensure those furthest removed from the labour market receive improved and individualised guidance. Launched in September 2022 as part of the extension of the National Council for Refoundation, *France Travail* will continue to invest in skills development to better meet the needs of both jobseekers and employers (see Box 2). The guidance offered to RSA recipients will also be enhanced and individualised: using the Youth Employment Contract as a template, a two-year pilot project was launched in 2023 in 18 *départements*, where benefit payments are tied to intensive jobsearch support as well as the obligation to carry out a number of related activities every week. RSA recipients will receive 15 to 20 hours of support per week to help them make a lasting entry to the labour market. Special efforts will also be made to help people with disabilities, including transforming the support received via *France Travail* and strengthening the rights of people in vocational rehabilitation centres (ESATs). *France Travail* will continue the work of *Pôle Emploi* to ease skill and labour shortages by improving the support it provides to employers and continuing to roll out dedicated programmes. This will involve doing more canvassing work via direct and proactive contact with employers, particularly VSEs and SMEs, to coordinate hiring, and via more intensive recruitment support

[2] INSEE, "Emploi, chômage, revenus du travail", 2023 Edition, *INSEE Références*, 29 June 2023

for these companies to foster job creation.

Labour market integration will also be aided by removing barriers to employment. Helping women in particular to remain employed and return to work will be facilitated by the early childhood care public service reform, which will create new childcare places to reduce the number of parents who leave the job market to care for their children. Alongside the home childcare reform, the creation of 100,000 net childcare places for young children and the childcare governance reform, which will see municipalities designated as organising authorities, will have a positive impact on the employment situation of parents as well as gender equality.

Box 2: Helping jobseekers return to work through *France Travail* and the contracyclical unemployment insurance reform

With the unemployment rate falling and skill shortages persisting, there is a need to strengthen return-to-work incentives and improve jobseeker support to ensure a better match between labour supply and demand. That is the objective of two recent government reforms – the transformation of the national employment agency, now known as *France Travail*, and the unemployment insurance form – which are expected to yield positive results over the medium and long term.

Transformation of *Pôle Emploi* into *France Travail*

The creation of *France Travail* will help improve the effectiveness of government employment services in line with the objective of achieving full employment by 2027.

The full employment bill, which is currently before Parliament, is based on the report published by the *France Travail* preparatory taskforce[3] overseen by Thibaut Guilluy that sets out a number of priorities:

- The support provided to jobseekers should be individualised and enhanced, particularly for RSA recipients, with 15 to 20 hours of support per week.
- The support provided to employers, both pre- and post-hiring, should be expanded.
- The governance of public employment services should be streamlined and decentralised to improve action at more local levels and ensure results-based management based on common objectives.
- Regional trials and pilot projects should be conducted as part of a gradual approach to the reform. For instance, trials to test the introduction of 15 to 20 hours of weekly support to RSA recipients have already been under way in several *départements* since April 2023.
- Access to employment should be improved for disabled workers who are able to work in standard working environments.

February 2023 contracyclical unemployment insurance reform

The rationale behind the contracyclical unemployment insurance reform is to adjust the maximum unemployment benefit period based on the economic situation (keeping a minimum six-month period). When economic conditions are favourable, the period will be shorter; when conditions are unfavourable, jobseekers will be entitled to a payment extension when their benefit period runs out, bringing it in line with the previous benefit entitlement, if they are still having difficulty finding work. Conditions are deemed favourable if the unemployment rate remains below 9% over three consecutive quarters and does not vary by more than 0.8 percentage points in one quarter.

Over time, the reform is expected to help 100,000 to 150,000 jobseekers return to work, which would represent €11.5bn in savings in expenditure on benefits by 2027. This is on the assumption that the reform will be extended beyond 31 December 2023, on which date the current benefit rules are set to expire.

With the unemployment rate stably below the 9% threshold (7.2% as at Q2 2023), economic conditions are currently deemed favourable, which means the system is positioned to drive unemployment lower and promote integration through employment.

The impact of these workforce integration policies will be heightened by continued investment in skills development and efforts to overhaul the country's training system. The challenge is to better match labour supply to demand in a continuing skill shortage environment. Skill shortages remain high across all sectors and, according to INSEE data for Q3 2023, continue to affect 58.3% of firms in the manufacturing sector, 53.3% in services (excluding transportation) and 81.3% in construction. Efforts to ensure young people receive training for jobs of the future include the vocational school reform, the continued expansion of apprenticeships and the transformation of the branches of secondary education to help students enter the

[3] "France Travail, une transformation de notre action collective pour atteindre le plein emploi et permettre ainsi l'accès de tous à l'autonomie et la dignité par le travail", Report from the *France Travail* preparatory taskforce, 19 April 2023.

labour market and adapt to new skills requirements. Initiatives such as the "1 Youth, 1 Solution" programme and the Youth Employment Contract, which are continuing to be rolled out, are also contributing toward this goal. Along the same lines as for vocational schools, the university training offering will be adapted to labour market needs, particularly at undergraduate level, in consideration of the dual green and digital transition in particular.

Strengthening workforce integration policies also involves enhancing the support and guidance provided in schools. To better guide students into high-opportunity sectors, a website (InserJeunes) has been set up and publishes data on the workforce participation and continuing education rates of vocational training graduates, to give incoming students better decision-making information. A website publishing data on the employment rates and wages of university graduates (InserSup) will also be set up in 2024. Also, as of September 2023, middle school students (ages 12 to 15) across France will participate in career discovery activities to help them learn about career options and educational requirements, to help them gradually put tother a plan for their academic and professional future.

Outside of initial training, lifelong skills acquisition is another way to help ensure a better match between labour supply and current economic needs. The expansion of the Accreditation of Prior Learning (VAE) programme and the promotion of vocational training will help people pursue lifelong learning, give them the freedom to plan their own future with a viable career path, and enable them to change careers. The goal is to have 100,000 VAE enrolments per year by 2027.

To prevent potential welfare traps, the government intends to take action to ensure employment is more lucrative than social benefits. That is the idea behind the "pact for life at work" reached with labour and employer representatives in April 2023 and set to come into effect by the end of the year, as well as government plans to expand profit-sharing schemes, following on from the profit-sharing bonus that saw some 5.8 million wage earners receive an average amount of €800 in 2022. The government will continue to encourage the development of profit-sharing schemes so that more employees have a stake in the performance and capital of their employers, working with firms to expand employee shareholding, for example. That is the idea behind the bill to enact the national multi-sector agreement on company profit-sharing into law, which was signed by labour and employer representatives in February 2023. The agreement is designed to better connect employees with company performance, particularly in VSEs and SMEs.

1.2. Reindustrialising the country

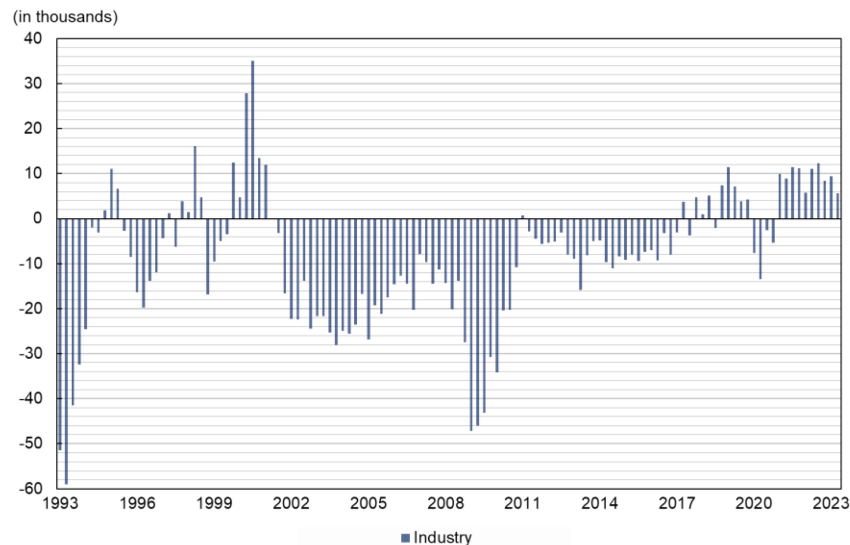
The initiatives launched by the government since 2017 to boost competitiveness have put an end to a decades-long period of deindustrialisation and improved the appeal of France's economy.

Over the past 50 years, some 2.5 million manufacturing jobs were lost and the share of manufacturing in national production was halved, falling from 20% of GDP in the early 1980s to 10% in 2021.[4] It is a phenomenon observed in most advanced economies, but to a greater degree in France than some of its main partners, such as Germany and Italy, although to a lesser degree than in Spain and the United Kingdom. Not only does manufacturing have a greater multiplier effect on employment than other sectors, but it is also a source of more innovation, one of the main determinants of economic growth.

Since 2017, France has been reversing the trend of manufacturing job losses. More than 100,000 salaried manufacturing positions have been created over the past six years, something not seen since the late 1990s (see Chart 6). After beginning in 2019, the trend continued post-COVID in 2021 and 2022. Since 2017, France has seen 300 net creations of manufacturing plants – 80 in 2022 alone – including new production lines for strategic products (paracetamol, semi-conductors).

[4] Excluding the mining and quarrying, energy, water, and wate management and remediation sectors. Source: INSEE, national accounts.

Chart 6: Quarterly change in manufacturing payroll employment since 1993



Source: INSEE

Prior to the COVID-19 pandemic, measures to reduce labour costs, such as the conversion of the CICE into a cut in social security contributions and increase of tax breaks on low wages, helped improve the price-competitiveness of French firms, which had been in decline for over a decade. Cuts to corporation tax and taxes on production have also helped ease the tax burden weighing on firms' competitiveness, alongside recent reforms for improving, securing and streamlining the business environment – the Government Action Fast Tracking and Streamlining (ASAP) Act and the Business Growth and Transformation Action Plan (PACTE) Act – which have helped to boost France's appeal.

France remains an attractive destination for foreign investors, who are drawn by the real progress being made in terms of innovation and competitiveness. France is the leading destination in Europe for foreign direct investment, a distinction it has held for four years in a row according to the EY Attractiveness Report. In 2022, Business France recorded 1,725 investment decisions, an increase of 7% compared to 2021.

Continuing to develop French and European industry is essential to strengthening our sovereignty and competitiveness.

Speeding up the pace of reindustrialisation, particularly in industries of the future, and reducing dependencies in strategic sectors and products are central to the government's economy policy strategy. After decades of deindustrialisation, marked by waves of offshoring, the government's goal is to reverse the trend and make manufacturing a more prominent part of the economy in the medium term. It is a matter of not just reaffirming France's place in world trade but also embracing the major transformations and disruptions brought about by digital technology, artificial intelligence and the green economy, among others.

The continuing rollout of the France 2030 Plan (see Box 3) **should stimulate the economy and boost potential growth** by accelerating the green transition, with incentives for investment, innovation, and social and regional cohesion, along with measures to ensure digital and industrial sovereignty. With appropriations of €54bn over five years, including €20bn for the fourth Invest for the Future Programme (PIA 4), the France 2030 Plan's priorities include promoting innovation and investing massively in the industries of the future – manufacturing, transportation and energy – to build a low-carbon and resilient France. From the basic research stage to production, the France 2030 Plan provides support throughout the innovation life cycle right up to the production stage. The plan also aims to support skills development for the jobs of the future, and in doing so meet and anticipate the needs of the industries of the future. The training arm of the France 2030 Plan aims to train more than one million people in the jobs of the future by 2027.

The government also provides support to French and international companies for their investments in France, as well as for their research and innovation initiatives. The digitalisation of the economy is a strategic component of the government's reform agenda. As at 1 January 2023, 6,512 firms had received support for digital investments under the "Industry of the Future" scheme. The new Research Planning Act for 2021–2030 encourages connections between public research and private innovation. It also includes increased funding for public research, promotes scientific excellence and aims to raise the profile of research careers, for the benefit of all economic stakeholders.

Box 3: The France 2030 Plan

According to the findings of the assessment report on impact of the France 2030 Plan,[5] as at 30 June 2023, the plan had earmarked €19.5bn out of the total budget of €54bn, contributing to funding over 2,400 projects for more than 2,700 recipient organisations. Nearly half (48%) of these funds has been allocated to SMEs and mid-tier companies, 13% to large groups and 29% to universities and research organisations.[6]

France 2030 funds are expected to support the French and European economies over the coming years, in terms of both growth and employment, by supporting industrial competitiveness and technologies of the future.

These investments support innovation in numerous industries of the future, including energy, digital sovereignty, aerospace, healthcare, agriculture, food, critical raw materials and culture.

In line with the commitments made by President Macron, 38% of the plan's funds have already been allocated to emerging players (businesses less than 12 years old), with a target of allocating 50% to them by 2030. Some 46% of France 2030 funds have also been dedicated to projects to green the economy across all industries.

The France 2030 Plan has already seen some early success stories, two of which are shared here. First, as part of the national quantum technology strategy, the France 2030 Plan is supporting the development of technologies and uses for quantum computing (HQI initiative, quantum research programme, etc.) Several major real-world projects have emerged in France, for example in the development of quantum computers (PASQAL, Siquance, Alice & Bob, Aqemia). Second, the plan is actively supporting the construction of gigafactories, particularly for electric batteries, with a first plant opened on 30 May 2023 in Pas-de-Calais.

---

[5] Supervisory Council for Investments for the Future (CSIA), *Rapport à la Première ministre portant sur l'évaluation de l'impact du plan France 2030*, 30 June 2023

[6] The remaining 10% has been primarily allocated to local authorities, non-profits and individuals.

The aim of the Green Industry Bill, which is currently before Parliament, is to make France a leader in the area of green industry and technology for the net-zero transition, such as heat pumps, low-carbon hydrogen, renewable energy, batteries and semi-conductors (see Box 4). These technologies and tools are essential for ensuring low-carbon industrial sovereignty, in addition to increased competitiveness, which creates favourable conditions for making France an appealing place to invest and to grow its businesses. After an initial cut to the contribution on business value-added (CVAE), representing savings of €4bn in 2023, the contribution will continue to be phased out by 2027.

France will continue to see through these industrial policy initiatives, which include initiatives at European level as part of the Versailles Agenda (see Box 5).

Box 4: Green Industry Bill

The Green Industry Bill is part of a new stage in the reindustrialisation of the economy, in order to make France a leader of green industry and technology for the net-zero transition. The objective is two-fold: to speed up efforts under way since 2017 to create manufacturing jobs, and to leverage France's industry to reduce the country's carbon footprint.

From an environmental perspective, the bill is expected to lead to a cumulative reduction of 41 million tonnes of CO_2 by 2030 through the bill's main measures, reducing France's total annual footprint by 1% and emissions associated with final demand for manufactured goods by 3%. The bill will have a considerable positive impact on economic activity and employment, by creating production facilities and boosting the appeal of France and Europe for manufacturing projects, which will have knock-on effects for the rest of the economy.

To succeed, the bill sets out three requirements, each of which contribute toward enhancing the appeal of France for the development of green industry: make it easier to set up industrial facilities by halving the time needed for setup and development; promote companies with virtuous practices; and use public and private financing.

Box 5: The Versailles Agenda and the European Union's industrial policy

In recent years, under the impetus of France and its partners, the European Union has recast its industrial policy to strengthen its strategic autonomy and competitive position, particularly in the industries of the future for the climate transition.

The European Union has introduced new instruments, such as **Important Projects of Common European Interest (IPCEIs)**. Since 2018, several IPCEIs have been launched (seven of which have been authorised so far in the batteries, microelectronics, healthcare, hydrogen and cloud industries). Negotiations are still under way for other proposed instruments, including the **Single Market Emergency Instrument**.

In response to Russia's invasion of Ukraine, in March 2022 the heads of state and government adopted the **Versailles Declaration**, which promises to reduce the European Union's strategic dependencies in six sectors in particular: critical raw materials, semi-conductors, health, digital, food and energy. The declaration serves as a roadmap that includes several initiatives, such as the **Chips Act**, which aims to develop European production capacity for semi-conductors, or **Scale-up Europe**, an initiative to promote scale-ups and European tech champions.

After the US introduced its Inflation Reduction Act, in December 2022 the heads of state and government called for a stronger European response on green industrial policy. In February 2023, the European Commission presented its **Green Deal Industrial Plan**, which aims to enhance the competitiveness of Europe's industry in essential sectors to achieve net-zero emissions. The strategy was followed by several legislative proposals in March 2023, which are still being negotiated:

– The **Critical Raw Materials Act (CRMA)** to encourage the refining, processing and recycling of critical raw materials while securing supplies.

- The **Net-Zero Industry Act (NZIA)** to support the production of industrial technologies for the net-zero transition within Europe.
- The **European Hydrogen Bank** to support competitive hydrogen projects across Europe through the Innovation Fund.
- The **reform of the EU electricity market design** to make Europe's energy market more resilient and to make household and business consumers' bills more representative of average power generation costs and therefore less volatile.

On 20 June 2023, the European Commission presented its proposal for the **Strategic Technologies for Europe Platform (STEP)**, an initial blueprint for a "European sovereignty fund", as announced last autumn by Commission President Ursula von der Leyen. The scheme will take the form of a platform designed to coordinate and introduce flexibility to different European programmes to fund strategic projects in the deeptech, cleantech and biotech sectors.

2. Build on existing progress and overhaul our public services

Our social protection system is a very effective antidote to financial inequality: before taxes, redistributive measures and public services, high-income households earn 18 times more than the lowest-income households, but this gap is reduced to three after redistribution.[7] Nearly 60% of French households are net recipients of this expanded redistribution of income. However, other forms of inequality persist, including in education, access to healthcare and housing, and between regions and genders. Fighting such inequality, no matter the form it takes, remains a top government priority. Tackling this collective challenge will foster inclusivity and France's economic resilience.

The government's action to achieve full employment is the most effective remedy for poverty and exclusion. By aiding the return to the labour market of long-term jobseekers as well as those excluded from the workforce, this action facilitates their reintegration and guarantees them a living wage, providing the most effective, lasting solution to financial insecurity. Work is the most effective route out of poverty: the poverty rate among wage earners is 7%, compared to almost 40% for the unemployed. At President Macron's initiative, the government launched a pay consultation to reduce the number of working poor and increase wages. Since 2017, the unemployment rate has declined more sharply for low-wage workers, particularly thanks to the Skills Investment Plan (PIC), with a €15bn budget over five years. With the implementation of this plan, France has become part of the cohort of European Union countries which invest the most in vocational training for jobseekers. Furthermore, the reduction in the number of unemployed and the higher employment rate provide a better financial cushion for funding social programmes.

2.1 Build on existing progress and strengthen social cooperation

Investing in education is a government priority.

A more inclusive society involves, first and foremost, addressing the root causes of inequality, including investing in universal early childhood education. The government is committed to improving students' grasp of reading, writing and maths, transmitting French values, encouraging the creation of high-level, specialised courses and promoting educational innovation. Investing in young people and their education is of upmost importance for improving human capital, which itself plays a pivotal role in increasing the productivity and growth potential of France's economy.

The government is continuing to implement a bold reform programme for primary and secondary schools. Measures such as mandatory schooling beginning at age three, the implementation of the "Help for Homework" programme and the enrolment of an additional 120,000 children with disabilities have helped to reduce inequality in the education system. In November 2022, 100% of classes in year one and year two of primary school and 68% of classes in the last year of nursery school were split in priority education areas (REP and REP+). This division, begun

[7] Mathias André, Jean-Marc Germain, Michaël Sicsic, "La redistribution élargie, incluant l'ensemble des transferts monétaires et les services publics, améliore le niveau de vie de 57 % des personnes", *Insee Analyses,* no. 88, 19 September 2023.

in the 2017 academic year and set to be completed in 2026, has already produced tangible results: national testing shows the results gap in French and maths has been reduced between regular students and those in priority education areas. To further reduce inequality, which is exacerbated outside of school, REP and REP+ middle schools will test run, starting in September 2023, opening from 8am to 6pm and primary schools will enrol pupils as young as two years old in priority education areas. When school is not in session, the *Pass Culture* provides another way to curb inequality by funding cultural activities, book purchases and online resources for young people 18 and under.

Efforts have been stepped up to improve students' levels in reading, writing and maths. To prepare for the school of tomorrow and strengthen students' achievements in key subjects, the government is introducing several measures to focus on improving core skills in reading, writing and maths. Writing skills will be emphasised in all subjects and foreign language instruction will be enhanced. Starting in year seven, an additional hour of tutoring or specialised coursework will be offered in French and maths based on students' needs. At high-school level, maths will be reintroduced in the common core curriculum for second-year students.

The transmission of knowledge will be best served by educational innovation and teacher pay increases. Schools will have greater autonomy and leeway in terms of educational innovation, following on from the pilot programme *Marseille en Grand*. Programmes aimed at addressing the needs of disabled students and countering cyberbullying will also receive additional support. Moreover, an historic, unconditional teacher pay increase (the highest since 1990) has been instituted, on top of a wage hike for teachers who take on new activities under the government's Teacher's Pact reform. In late August President Macron reiterated that beginning in September 2023, teachers will not earn less than €2,100 per month. If teachers take on additional work, such as participating in the "Help for Homework" programme, this pay bump could be as much as €500 per month.

Lastly, the lowest-income households will receive financial assistance to help defray back-to-school costs, in the form of a back-to-school allowance increased by 5.6% for 2023, thus providing up to €435 per child for three million families.

Following on from the unprecedented investments made as part of the Ségur agreement on the renovation of the healthcare system, access to quality care will be improved by continuing to overhaul and strengthen our healthcare system.

Some three years after the onset of the COVID-19 pandemic, which highlighted our vulnerability to a large-scale epidemic, the government is fully engaged in upgrading our healthcare system. This has resulted in an unparalleled increase in healthcare expenditure (excluding COVID-related spending) of over €46bn (up 23%) since 2019 to reach almost €247bn in 2023. Measures taken are first and foremost aimed at easing red tape for healthcare workers and ensuring universal access to healthcare, no matter where citizens live, by tackling medical deserts. Another objective is to bring our healthcare system into line with users' latest expectations, including through the comprehensive reimbursement of dental prostheses and hearing aids.

The review of the "My Health 2022" plan, followed by an online consultation and a regional tour, led to the completion of a new 2023-2027 roadmap revolving around four major objectives: (i) developing preventive healthcare, (ii) saving practitioners time by easing red tape and improving patient care, (iii) facilitating access to healthcare, and (iv) introducing a framework conducive to expanding digital innovation and the use of digital technology.

Ensuring better access to healthcare throughout France (health centres), greater cooperation among practitioners (GPs, pharmacists, specialists) and the expanded use of digital tools (particularly telemedicine) will allow every user to have a primary care physician. With this in mind, a plan called "Practical solutions for facilitating access to healthcare at local level" was released on 13 July 2023. Drawing on real-world feedback, including from meetings of the National Council for Refoundation, the plan aims to improve access to healthcare for more than two million French people across France.

The development of preventive healthcare policies will also help to improve the quality and efficiency of our healthcare system, including in terms of women's health and obesity, and more generally in terms of healthcare at all key life stages. In April 2023, the Rist Act was implemented in an effort to take the pressure off emergency departments by increasing cooperation among hospitals and GPs when it comes to accessing unplanned care through the rollout of Healthcare Access Services.

Lastly, to bolster the appeal of healthcare professions, salary increases will be instituted. Nurses and nursing assistants will receive a 25% pay bump for night shifts beginning in January 2024, while Sunday and holiday shifts will be paid 20% higher than the current rate. A 50% pay increase for on-call physicians will be made permanent and extended to the private sector, and compensation for on-call hours will be reassessed in order to align it with existing higher pay practices in private medicine. These changes are meant to help retain healthcare workers as well as to attract new staff to meet the sector's growing needs. These new measures, set out in the 2024 Social Security Budget Bill, account for €500m of the previously announced investments totalling €1.1bn.

The government is working to build a fairer society by combating social and regional inequality, particularly regarding housing, to tackle the structural determinants of poverty and exclusion.

A first series of emergency measures were taken in summer 2022 to address the energy crisis. These measures included a 4% increase in "solidarity" benefits, a 3.5% cap on rent increases, a 3.5% increase in housing benefit (APL), a doubling of food assistance payments and a one-off support payment benefiting almost 11 million households. The government will also continue to support French workers, including those who have to drive to their workplace, with up to €100 in assistance for the bottom 50% of households.

These emergency measures will be rounded off by the "Solidarity Pact". Introduced by Prime Minister Borne on 18 September, the pact was devised in consultation with all public and private stakeholders working to tackle poverty and inequality. It will come into force on 1 January 2024 and includes 25 structural measures revolving around four areas of focus: preventing poverty and tackling inequality starting in early childhood, lifting people out of poverty through universal return-to-work initiatives, combating severe poverty, and supporting the green and inclusive transition, with the aim of reducing households' core expenses (food, energy and transport). The Solidarity Pact has in particular increased funds for antipoverty programmes by 50% compared to the previous strategic plan. To facilitate access to social entitlements, the government will also continue to roll out social security benefit (*solidarité à la source*) schemes and the automatic payment of maintenance allowances to further support low- and middle-income households in a context of persistent inflation.

The government is following through on its pledge to make housing universally accessible. In this respect, several reforms will be undertaken to ensure access to mortgages as well as to encourage home ownership through the expansion of the *bail réel solidaire* programme (whereby homeowners lease the land on which their property is located, reducing the cost of their ownership) and access to the rental market, especially for the middle class, by expanding middle-income social housing. Additionally, Prime Minister Borne announced, during a meeting of the National Council for Refoundation on housing, that the government will undertake a project to overhaul rental property taxation. Moreover, the Interest-Free Loan programme will be extended until 2027 for new collective housing in areas with a housing shortage and for older properties in areas with low housing pressure. The government also intends to double the number of recipients of the Visale rent guarantee scheme, with a target of two million beneficiaries by the end of President Macron's current five-year term. The government is also fully committed to offering solutions for the lowest-income households through the launch of the Housing First 2 plan, providing a further €160m of funds over the 2023-2027 period.

Promoting gender equality has been a major priority under Macron's presidency and will be pursued further, with a focus on combating violence against women and fostering equality in the workplace. Single-parent families will, for instance, receive additional support for childcare expenses and the family support allowance for single parents, in place since November 2022, will be increased by 50%. Lengthening paternity leave and adding childcare places, planned as part of the creation of the early childhood care public service, will both play a role in reducing workplace gender inequality.

To better support the elderly, the government's economic policy is centred on building a societal culture of "ageing well". It intends to help older people to continue living at home by improving the quality of home care services and increasing contact between healthcare institutions and home care providers. Enhancing the appeal of the elder-care profession is key to attaining our goal of recruiting 50,000 additional nurses and nursing assistants by 2027. Preventing loss of autonomy will also be improved in order to ease the demographic transition, as the incidence of many medical conditions can be reduced through prevention measures. Lastly, an increase in minimum pension benefits, an improved system of calculating entitlements for periods of parental leave and the pension bonus for parents – a measure benefiting women the most – will help to raise pensioners' standard of living.

Furthermore, the government will step up its initiatives in Overseas France. It is continuing to support and finance the economic development of these regions in order to meet the specific needs they have to address poverty, unemployment and adaptation to climate change. In this respect, at its meeting on 18 July, the Interministerial Committee for Overseas France (CIOM) approved the adoption of 72 support measures for overseas territories, including the reform of dock dues, an initiative expected to be finalised by the end of 2027, the promotion of trade between France's Atlantic and Indian Ocean territories, and new contributions to the capital of the Caribbean Development Bank.

2.2 Overhaul our public services

Offering public services that are accessible, efficient and suited to the needs of French citizens is central to our republican model. Public services also demonstrate the appeal and prosperity of our country and our economy, and provide an optimal environment for workers and businesses to build a career, set up shop and grow.

The government is driving the overhaul and upgrading of public services to make them more efficient and to meet French citizens' expectations.

Public services continue to be less readily accessible in certain regions. This is particularly the case for rural areas, priority urban neighbourhoods and Overseas France. A source of greater productivity and efficiency, upgrading public services is meant to meet French citizens' latest demands in terms of ease of use and accessibility, especially on the digital front.

To address these demands, the government began a major overhaul of public services in 2017, which remains underway. To reduce geographic disparities involving access to infrastructure, which are a social equity issue and also affect the appeal of every region of France, the government is working to make public services a top priority region wide. Accordingly, 2,600 France Services centres have been opened since 2017. Today more than 99% of the population lives within 30 minutes of a centre, and an ever-growing number of services are available directly online to make life easier for French people and businesses: for example, the generalisation of e-invoicing will streamline and accelerate the digital transition of businesses. Small- and medium-sized enterprises will save over €4.5bn a year versus paper-based invoicing. Pursuing these investments is thus a worthwhile effort.

Upgrading government action means making public services more local, accessible and efficient.

The objective is to reinvest in public services and to put trust in local stakeholders by giving them more freedom of action.

Accessible and local-level services require greater regional cooperation in order to bring the government closer to citizens. Several programmes are working towards this goal, including such plans as City Centre Action, Rural France and Neighbourhoods 2030, and city and neighbourhood contracts, among others. The digital transformation will also be undertaken at regional level by ensuring equal, universal access to high-speed broadband. 80% of France is already covered by fibre-optic internet. The Rural France plan, launched on 15 June 2023, will provide additional funds for the growth and appeal of rural municipalities, which are home to 22 million households and have significant potential for economic development.

Furthermore, civil service reforms will increase the efficiency of the civil service and its social representativeness. A 2023-2027 interministerial plan recently bolstered gender equality, while an act intended to improve women's access to senior civil service positions, adopted by Parliament on 7 July 2023, increased to 50% the mandatory quota for the number of women being appointed to senior and management roles, and introduced for the civil service a gender equality in the workplace index. Overhauling the selection and training of civil servants and diversifying recruitment, including through the continued implementation of the senior civil service reform, will improve the management of major undertakings such as the digital and green transitions, in order to adapt public services to the new challenges facing government. Lastly, the government is moving forward with its reforms aimed at attracting more candidates to civil service jobs through pay increases, training assistance and better career development opportunities.

3. Plan and fast-track the green transition

Faced with the need to combat climate change, the government continues to support and encourage carbon intensity reduction efforts across all sectors of the French economy.

France is one of the most strongly committed countries to the green transition: it is one of 18 countries worldwide that have seen a reduction in their emissions over the last decade. France also doubled the pace of emission cuts in the 2017-2022 period compared to the 2012-2017 period. According to the High Council for Climate Action, this increase can be attributed to new climate policies implemented and structural changes to the economy (fall in energy demand and in net deforestation). France also has a relatively small carbon (CO_2) footprint per capita compared to other developed countries (6.8 tCO_2 per capita in 2018 versus 7.8 tCO_2 per capita in Europe according to the OECD)[8] and a low-carbon energy mix for the most part (nuclear power accounts for approximately 40% of France's primary energy consumption).

[8] In this case, a carbon footprint based on a limited greenhouse gas scope (energy-related CO_2 emissions only). See the SDES website.

However, the reality of climate change today and its consequences provide a daily reminder of the need to fast-track carbon intensity reduction efforts in the French economy and radically change our production and consumption methods. It is a matter of supporting the development of the green economy and the transition of the sectors emitting the most greenhouse gases – transport (30% of emissions), industry (20%), agriculture (20%), housing (20%), energy and biomass (10%)°– so as to significantly and sustainably cut emissions.

The government is resolutely continuing with its efforts to build an "ecology of progress" to turn France into the leading green economy power in Europe and ensure that France's national and European emission reduction commitments (55% cut by 2030 versus 1990 levels and a carbon-neutral French economy by 2050) are honoured. Work must continue and be stepped up while always following an approach centred on efficiency (cost effectiveness), visibility for economic stakeholders and fairness throughout the transition. To achieve this, the budget for the green transition has been granted an additional €10bn, €7bn of which will be allocated in 2024. This work is fully aligned with the EU strategy for emissions reductions (see Box 6).

Box 6: The EU's environmental initiatives

The European Commission, Member States and the European Parliament have introduced a legislative framework endowing the European Union with the capacity to take major action for the climate transition and environmental protection.

With regard to climate policy, the **Fit for 55** legislative package is intended to provide the European Union with tools to ensure its commitment to cut net greenhouse gas emissions by **55% by 2030** is honoured. The vast majority of this legislation is now in place and will be implemented on a gradual basis over the next few years:

- **Review of the EU's emissions trading scheme (EU ETS)** for the industry and energy sectors to achieve a bolder emission reduction goal (a 62% cut by 2030 versus 2005) and the **creation of a separate ETS for the buildings and road transport sectors** to enter into force from 2027.
- Gradual implementation of a **Carbon Border Adjustment Mechanism (CBAM)** starting from 1 October 2023 (with a transitional dry-run period until late 2025) in order to effectively prevent carbon leakage by applying the EU ETS carbon price to the imports of EU producers operating in the six most carbon-intensive sectors (iron and steel, aluminium, cement, fertilisers, hydrogen and electricity).
- The ETS's **Innovation Fund**, designed to support the development of low-carbon technologies, and the **Modernisation Fund**, set up to support lower-income EU countries in achieving their emission reduction goals by helping to upgrade their energy systems and improve energy efficiency, were considerably enhanced. **The Social Climate Fund (SCF)** was created to support the most vulnerable households and businesses in the transition.
- Review of the **Effort-Sharing Regulation**, which sets **national targets for greenhouse gas emissions reductions** for 2030 for each Member State in sectors not included in the EU ETS's scope. These targets were revised upwards.
- Review of the **Renewable Energy Directive**, which has raised the target share of renewables in final energy consumption to 42.5% for 2030.
- The **Energy Efficiency Directive**, which seeks to reduce final energy consumption at EU level by 11.7% in 2030.
- **Regulation for the development of recharging stations and alternative fuels in the transport sector** and the **FuelEU Maritime** and **ReFuelEU Aviation regulations** introduced to increase the uptake of sustainable fuels for aircraft and ships.
- **Regulation establishing more demanding performance standards** in relation to CO_2 emissions for **brand-new cars and vans** starting from 2035, and in particular a ban on the sale of new internal-combustion vehicles.
- Revision of the **Land Use, Land-Use Change and Forestry (LULUCF) Regulation**.

Note: from January 2024, EU-level discussions on the revision of the ***Energy Taxation Directive*** *are expected to continue so as to identify a link between the level of taxation and the environmental performance of a fuel, in addition to its energy content in real terms.*

The Action Plan on Sustainable Finance, published in 2018, provided the EU with a regulatory framework that encourages shifting financial flows to sustainable investment. A classification system for economic activities considered sustainable by the EU (known as the Taxonomy) and a transparency framework for the sustainability of businesses (the Corporate Sustainability Reporting Directive) were introduced for this purpose.

On the pollution prevention and biodiversity protection fronts, in addition to the LULUCF, the following milestones were reached under the current Commission:

- Headway in negotiations between the European Parliament and Council on the **Nature Restoration Law**, with a view to restoring damaged ecosystems.
- Adoption of the Chemicals Strategy, including a proposed revision of the REACH regulation.

The rollout of low-carbon mobility and investment in future means of transport are also picking up pace. The "Bike Plan" (more than 15,000 km of cycle lanes built throughout President Macron's first term),[9] efforts to safeguard 7,000 km of minor rail lines, the reintroduction of night trains and a ban on airline services when there is an alternative means of transport taking less than two and a half hours all help to cut emissions by making low-carbon transport more appealing. To give further impetus to this shift, government resources for low-carbon mobility will be increased by €1.6bn in 2024 in order to finance the Future Transport Plan presented on 24 February 2023 by the French Prime Minister. This plan gives priority to investment in the rail network, which will be injected with €100bn up to 2040. Thirteen projects for urban train lines in major cities (*RER métropolitains*) will also receive €700 million in investment. Measures to green vehicle fleets (cars, heavy goods vehicles, bicycles, charging stations) will also be stepped up to provide better support to French citizens in adopting a low-carbon approach in everyday travel and the transport of goods. The goal is to manufacture 1 million electric cars every year in France by 2027. A rent-to-buy scheme will also be introduced to enable the lowest-income households to purchase an electric vehicle for around €100 per month. The France 2030 Plan supports the development of future means of transport by making huge investments in electric vehicle manufacture and R&D for low-carbon aviation.

Picking up from the work of the Decarbonisation Fund financed by the *France Relance* recovery plan, the France 2030 Plan is significantly increasing the resources allocated to industry decarbonisation. €4bn has been earmarked to support the deep decarbonisation of the highest-emitting industrial facilities, €1bn to roll out mature solutions and €610m to buttress innovation and the implementation of innovative and breakthrough solutions for decarbonisation. The Heat Sources Fund of the ADEME (Environment and Energy Management Agency), which is destined for businesses, local authorities and collective housing, is also to receive an additional €300m in 2024, making a total of €800m dedicated to the generation of renewable heat and its recovery, as well as the development of heat networks.

In the housing sector, which has some of the greatest investment needs, energy retrofitting work continues with government support. In 2024, almost €5bn will be allocated to French citizens to help them renovate their homes, an increase of €1.6bn. These resources will be used in particular to bolster the scale-up of high-performance retrofitting supported by MaPrimeRénov', a scheme with currently over one million beneficiaries, with a target of 200,000 retrofitting projects annually by 2024. Starting on 1 January 2024, the scheme will again change to make it more understandable and will be organised in two components: the aim of the "performance" component will be to mainstream high-performance global retrofitting – in particular for "thermal sieves" – with fully-reimbursed mandatory support for low-income households. The second "efficiency" component will focus on the decarbonisation of heating systems and plugging "thermal sieves". The MaPrimeRénov' scheme will also be extended to cover social housing. In addition, in line with France's climate-related goals, the subsidy for the purchase of high-performance gas-fired 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. A large-scale investment plan for the energy retrofitting of government buildings has also been put in place, especially in the higher education and research sectors, but also for local authorities. Lastly, for these retrofits to be of even greater benefit to French industry, a target has been set: triple the domestic production of heat pumps to 1 million per year by the end of President Macron's term.

The government has initiated a thorough green planning procedure as part of the "France Green Nation" project.

The government launched the France Green Nation project to act as a roadmap for France to address climate, energy and environmental crises and fast-track France's work. In line with the

[9] Since 2019, the French government has been involved in the financing of nearly 1,000 projects dedicated to cycling facilities in 600 local areas, with subsidies totalling €365m.

reindustrialisation project, the goal is also to bolster France's energy, industrial and food sovereignty through the green transition. The France Green Nation action plan is rallying all public and private stakeholders around several priorities. The future French Energy and Climate Strategy (SFEC) will be France's updated roadmap for cutting greenhouse gas (GHG) emissions, achieving climate neutrality in 2050 and guaranteeing climate change adaptation. It will comprise four planning documents: the first Energy and Climate Planning Act (LPEC), introduced in the 2019 Energy and Climate Act, which sets out to update national targets for reducing GHG emissions, for final energy consumption, for rolling out renewable energy, for a more diverse energy mix and for energy retrofitting for housing; the third National Low-Carbon Strategy (SNBC3), France's roadmap for the climate change mitigation policy, with sector-specific carbon budgets for every five-year period; the third Multiyear Energy Plan (PPE3), a tool for steering France's energy policy, drafted in accordance with the SNBC3 and covering the 2024-2033 period; and the third National Plan for Adaptation to Climate Change (PNACC3), intended to mitigate the impact of climate change on socio-economic activities and nature. The LPEC will be detailed in three other pieces of planning legislation to be adopted in 2024.

In place since January 2023, the Green Fund provides unprecedented financing to guarantee that this roadmap is implemented at regional level. With €2.5bn in appropriations devolved to the Prefects, the fund is intended to finance projects submitted by local authorities and their public- private-sector partners in three areas: environmental performance (e.g. the energy retrofitting of government buildings, particularly schools), adaptation of regions to climate change (e.g. flood prevention and the restoration of natural areas in towns and cities) and quality of life improvements (e.g. redevelopment of wasteland).

Lastly, in addition to the big picture of decarbonisation, the National Strategy for Biodiversity (SNB) – to be published in autumn 2023 – meaningfully encapsulates France's commitment to biodiversity protection. The strategy intends to ease pressures on biodiversity, protect and restore ecosystems and bring about radical change in order to reverse the downward trend in flora and fauna populations. The strategy will also specify the steps taken by the government to implement the Kunming-Montreal Global Biodiversity Framework adopted at the UN Biodiversity Conference (COP15). Additional financing will also be provided in 2024 for the development and rollout of alternatives to plant protection products (the 2030 Ecophyto Plan, with €500m in funding) and forest conservation (over €500m in funding).

Strengthening France's energy sovereignty is a major priority for reforms seeking to expedite the transition to low-carbon energy sources – renewables and nuclear power.

Overcoming France's dependence on fossil fuels is a core long-term goal for achieving carbon neutrality, since energy constitutes three quarters of emissions in France. Switching out fossil fuels for low-carbon energy sources requires major investment in renewables. In this respect, the Renewable Energy Fast-Tracking Bill, set forth in the REPowerEU chapter of France's National Recovery and Resilience Plan (see Box 7), strives to streamline red tape to make it easier to establish renewable energy projects. It also aims to plan for facility setups in the regions with the dual concern of effectiveness and regional equity, and to heighten the acceptability of renewable energy projects by introducing measures for sharing the value of low-carbon energy sources.

Under the National Strategy for the Development of Decarbonised Hydrogen, the France 2030 Plan has also made a €9bn contribution to form a competitive renewable and low-carbon hydrogen industry and turn France into one of the world leaders in low-carbon hydrogen. France will also be one of the first European countries to stop using coal with the conversion of the two last power stations to biomass facilities.

Reducing the carbon intensity of France's energy system also requires France's nuclear industry to be bolstered. This process, facilitated by EDF's renationalisation, primarily depends on an expansion of nuclear capacity and the construction of at least six new high-power EPR reactors. Innovative small reactors are also currently in development, with several projects having already been financed (SMRs – small

modular reactors, AMRs – advanced modular reactors) and this should pave the way for new applications, a swifter rollout and waste reduction.

The Energy Saving Plan, introduced to address energy supply shortages in 2022 and 2023, is the first step towards a structural change in our energy-saving habits. This energy policy has yielded results, helping to cut over 10% of our gas and electricity consumption this winter. Presented on 20 June 2023, part 2 of this plan aims to make energy saving initiatives durable and cut France's energy consumption by 40% by 2050. The plan involves all stakeholders, and is applied at the level of the central government, local authorities and large businesses (see Box 8).

Box 7: The REPowerEU Plan

In May 2022, in response to Russia's invasion of Ukraine, the European Commission unveiled the REPowerEU Plan, intended to step up the EU's independence and security in relation to its energy supply, in particular by dropping Russian oil and gas by 2027. The REPowerEU Plan is providing Member States with €20bn in grants (financed by revenue from ETS quota auctions that were previously allocated to the ETS' Innovation Fund), and opens the door for transfers of existing EU funds or unused loans of the Recovery and Resilience Facility with a view to financing targeted investments supporting the EU's energy transition and independence.

In April 2023, France submitted its proposal for a national version of the REPowerEU with an eye to receiving €2.8bn in grants for financing energy transition investments. France's National Recovery and Resilience Plan – updated so that it can include an REPowerEU chapter – was adopted by the Council of the European Union on 14 July 2023. REPowerEU grants will help fund two major priority areas: the changeover to a low-carbon industry, inter alia, by developing hydrogen power and carrying out the energy retrofitting of private and government buildings. These investments will have a greater impact thanks to the implementation of several key reforms designed to increase France's energy independence, such as the Renewable Energy Fast-Tracking Act, the Energy Saving Plan and the establishment of the Secretariat General for Green Planning, whose priorities are in line with the REPowerEU objectives.

Box 8: The energy saving plans and their results

The first Energy Saving Plan, presented on 6 October 2022, aimed to reduce France's energy consumption by 10% by 2024, in line with the target of a 40% reduction in overall consumption by 2050.

To raise awareness among consumers and help citizens to adopt effective energy-saving habits, the government rolled out a large-scale multi-channel communications campaign on energy saving. France's power transmission network RTE also adapted the Ecowatt app to provide information on the times when eco-friendly actions are the most beneficial for the power grid and encourages the postponement of certain uses to reduce pressure on supply. The gas transportation operator GRTgaz also made similar changes to its Ecogaz app.

Between late June and late August 2022, nine sector-specific working groups were set up by the Ministry for the Energy Transition to cover the entire consumption of the main stakeholders. These working groups, which bring together key players from all sectors, experts, the non-profit and trade union sectors and power producers, have been able to develop tailored energy saving action plans based on suggestions gathered "in the field".

These initiatives, as well as the energy-saving habits developed by households and businesses in response to a period of high energy prices, had a major impact on energy consumption which was down on previous years. The savings made by households and businesses resulted in a 9% drop in electricity consumption last winter compared to the 2014-2019 average, and this trend has continued, while gas consumption fell 16% in the period from 1 August 2022 to 30 July 2023 compared to the same period in 2018/2019.

Part 2 of the Energy Saving Plan, which was presented in June 2023, aims to make energy saving initiatives durable 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. There was a particular focus on summertime energy-saving measures, relating to fuel and digital technology. For example, among the 14 measures set out in part 2 of the Energy Saving Plan, mayors are now responsible for ensuring the proper implementation of the "Closed Doors" Decree for merchants. Penalties issued for the heaviest vehicles or those emitting the most CO_2 will increase in 2024.

4. Control public expenditure and ensure that public finances are on a sustainable footing

While the business reform programme will help with growth and consequently fiscal consolidation, the government will at the same time continue its efforts to keep its expenditure under control. The government's large-scale and rapid response to soften the blow of health and energy shocks since 2020 – in support of households, businesses and local authorities – has stressed the need for a tighter and more efficient control of government expenditure.

The public finance trajectory points to the reduction of France's debt once the crises subside.

The forecasted public finance trajectory indicates gradual fiscal consolidation, with a target government deficit below 3% in 2027 and a decline in the debt ratio attributed to a tighter control of government expenditure.

This trajectory will in particular lift France's structural stumbling blocks in the coming years, all the while guaranteeing the government's ability to effectively respond to any shocks in the future. The major challenges faced by the French economy require major investment in the green and digital transitions to ensure France's education and training system is suitably adapted and improve public service quality. The purpose of keeping public finances under control is therefore also to provide greater fiscal headroom for financing vital expenditure.

Lowering public expenditure is first and foremost dependent on winding down measures supporting households and businesses during the crises. While the measures tackling the pandemic were considerably reduced in 2022 compared to the previous year and virtually all of them were restricted to healthcare expenditure directly associated with the pandemic (testing, vaccines etc.), they still constituted a considerable cost at approximately €15bn in 2022 – which albeit is expected to fall to €3bn in 2023.

The gradual wind-back of measures introduced in the context of energy price hikes – representing a cost of approximately €40bn in 2022 and 2023 – will take place in 2023 and 2024 depending on the measure in question: the cap on gas prices ended in June 2023, and the electricity price cap is expected to be scrapped by early 2025.

Containing this expenditure will also require structural reforms launched by the government to promote business and employment, such as the pension reform and the unemployment insurance reform, as well as a greater joint effort made by all government departments (central government, local authorities, social security bodies).

The increase in public expenditure across all sub-sectors will therefore be contained at 0.6% in real terms, excluding emergency and recovery measures, on average over the 2023-2027 period, a significantly slower pace than in the 2018-2022 period (+1.2%).

Improving the quality of public expenditure and preventing fraud will guide future fiscal decisions.

Improving the quality of public expenditure will entail assessing its effectiveness. The annual spending review required under the 2023 Initial Budget Act (see Box 9) covers an assessment of expenditure throughout government and identifies the most inefficient expenses where savings can be made in the context of Budget Bills and the Social Security Budget Act for the period. Twelve taskforces were launched during the first half of 2023 and focused on adapting taxation to the requirements of the green transition, the effectiveness of housing policy and the assessment of local investments. This work has been able to for example identify potential savings in favour of the green transition through the gradual alignment of reduced rates of excise duty on energy products – from which many economic stakeholders benefit in relation to the normal price of diesel – and through steeper environment-related taxes on vehicles. Similarly, the taskforces were able to identify savings on employment policies, such as a refocusing initiative for hiring under the "Emplois francs" scheme that could result in major windfall effects, a more targeted coverage of the costs of apprenticeship contracts (with €530m in savings in 2024) and savings on regional skills investment plans.

More stringent controls are required to tackle fraud against the public purse (tax evasion, social security and customs fraud). Keeping control of public finances also requires everyone to play their part, and the government has introduced key resources to minimise tax evasion and social security fraud without completely eradicating it. In 2022, URSSAF adjustments totalled €800m, 50% higher than the 2017 level. The government plans to continue its roadmap with the implementation of the Plan for combating tax evasion, social security and customs fraud presented in June 2023. This plan provides for an increase in the number of audits conducted on businesses – with a target to double this figure by 2027 – and will include a component tackling the fraudulent secondment of employees. A national programme for controlling sick leave will also be kick-started by the National Health Insurance Fund which beyond just reducing public expenditure will make the labour market more efficient. This plan to combat fraud will be accompanied by an unprecedented increase in the resources of government departments. The workforce of social security funds tackling fraud will be raised by 20% representing 1,000 additional FTEs hired by 2027.

Lastly, to effectively tackle the erosion of taxable bases, increased cooperation with France's partners will be needed in order to reform international taxation. France is fully committed to finalising work carried out for the OECD on the Action Plan on Base Erosion and Profit Shifting (BEPS). The landmark international agreement on minimum corporate taxation, transposed into the 2024 Budget Bill, aims to restrict tax competition between countries and the tax planning schemes of multinationals. Digital services tax also marks a step forward in more effectively taxing tech firms.

Box 9: Evaluation of the Public Finance Symposium and spending reviews

The 2023 Initial Budget Act introduced an annual spending review system. These reviews are designed to identify and document, prior to voting on annual financial legislation, the necessary sources of savings to ensure no deviation from the public finances trajectory.

These reviews cover all government departments (central government, local authorities, the social security system) to ensure greater effectiveness, and are overseen at a high level, bringing together the relevant ministries.

Spending reviews are in-depth processes assessing government intervention methods and the resulting expenditure in relation to their relevance, effectiveness and efficiency. They can enhance the quality of public action as well as identifying possible expenditure – considered ineffective in achieving their related objectives or no longer appropriate given economic and social developments – that can be reduced or reallocated.

Under Article 167 of the 2023 Initial Budget Act, and so that these spending reviews can contribute upstream to the annual budgetary and parliamentary work, the evaluation of the first set of reviews and the corresponding areas where savings can be made were included in a French government report to Parliament in summer 2023.

Economic outlook

Overview

Growth is set to remain robust in 2023 (1.0%), with output expected to accelerate in 2024 (1.4%).

2022 saw France's post-COVID recovery stumble as a result of Russia's invasion of Ukraine. Growth remained strong on average during the year (2.5%), despite renewed supply chain disruptions, ongoing uncertainty and higher commodity prices. These factors resulted in a bumpy ride for economic activity in winter 2022-2023 and also led to higher inflation, which had a particularly adverse effect on consumer spending.

Growth is set to be robust at 1.0% in 2023, while inflation is expected to be 4.9%.

However, the French economy never stopped growing and the negative economic effects of these shocks are gradually subsiding. Commodity price inflation has eased considerably, overall inflation is past its peak and the economy regained momentum in the second quarter of 2023 (0.5%). The carry-over growth[10] for full-year 2023 is now 0.8%. France's export market share, which had been affected by the pandemic, is recovering. The labour market remains strong, with 21,000 salaried jobs created in the second quarter of 2023 after almost 102,000 in the first quarter. The unemployment rate was 7.2% in the second quarter, close to its 40-year low.

Overall, the most recent economic indicators show that the economy is proving resilient to headwinds: in July, industrial production rose 0.7%, pointing to a continuation of the positive trend that began at the start of the year. In September, the business climate indicator was stable and in line with its long-run average, pointing to an economy that is continuing to grow. Output is also expected to be supported by consumer spending throughout the second half of the year. It should benefit from lower inflation: in 2023 as a whole, the purchasing power of households' disposable income is expected to rise significantly, by 1.3%.

With both inflation and supply-chain issues easing, higher interest rates are likely to be the main factor holding back the economy. In particular, they are expected to affect household investment, which is set to fall 5.0% after two years of strong growth. Business investment is also likely to slow down in the second half, but should continue to show very robust growth in 2023 on average (3.2%) due to sharp increases in previous quarters, wider profit margins and recent reassuring figures on the amount of money being borrowed for investment.

Growth in salaried employment in non-farm market sectors is likely to slow down in 2023 as a whole (1.3%, down from 3.3% in 2022), in line with the economy in general and as certain temporary factors that adversely affected productivity start to dissipate (high staff retention levels in particular). Nominal wage growth should be strong enough (5.3%) for the purchasing power of wages to rebound slightly in real terms, particularly considering that employees are expected to receive large amounts of money in the form of profit-sharing bonuses in the second half of the year.

CPI inflation is expected to fall slightly to 4.9% on average in 2023 from 5.2% in 2022. It should continue to be held down by measures taken by the government to protect French citizens from rising prices. For example, government price caps on regulated electricity and gas prices are expected to reduce the overall general price level by around 2 points in 2023. However, the composition of inflation is likely to change considerably. After an initial phase of rising energy prices, followed by food and manufactured goods price hikes, the rate of increase in these areas is expected to return to normal following the sharp slowdown in producer and commodity price inflation in recent months. Inflation in services is likely to take up the running gradually, following the trend in wages, but without the risk of a runaway surge. Core inflation is expected to be 5.1% in 2023, although uncertainty remains over oil and gas prices.

[10] Meaning the annual growth that would be achieved if economic output were unchanged in the second half of the year.

This scenario is based on an assumption that oil prices will remain at $86 (in line with the level seen in August 2023), and that the exchange rate will also remain at $1.09 to the euro over the same period.

Growth is set to gather pace at 1.4% in 2024, whereas inflation is expected to fall sharply to 2.6%.

In 2024, the global economy is expected to grow at the same pace as in 2023 (3.0%), which is slightly slower than the average in the 2015-2019 period (3.4%). The slowdown in the United States and China is likely to be offset by stronger growth in the euro area and in other emerging markets.

Among advanced economies, growth trajectories are expected to vary between regions. In the United States, growth is expected to slow down significantly after a robust two years: consumer spending is likely to take a hit as excess savings accumulated during the pandemic are depleted and as consumer credit conditions are tightened. Conversely, the economy of the euro area is expected to gain momentum in 2024, because consumer spending is likely to be supported by the savings rate falling back to its pre-crisis average against a backdrop of decreasing inflation. Among emerging economies, growth is likely to benefit from lower inflationary pressures and looser monetary policies. The slowdown in Asia, and particularly in China, is expected be offset by an upturn in growth in other regions.

In France, growth is expected to accelerate to 1.4%, close to the long-run trend rate for its economy. The main factor supporting growth is likely to be a gradual recovery in consumer spending in the wake of falling inflation. Exports should also perform well, boosted by an upturn in global trade and France's success in closing the gap that previously opened up in export performance, particularly in transport equipment. Foreign trade is therefore expected to have a slightly positive contribution, since imports are also likely to be stronger because of the upturn in consumer spending. On the downside, total investment is set to be held back by higher interest rates and growth in investment is likely to fall significantly, without turning negative. Although household investment is expected to fall again, growth in business investment should slow down but remain positive, particularly due to lower taxes on production and ongoing strong demand associated with the green and digital transitions. Public investment is expected to rise significantly, particularly at the local level, as is usual at the current stage of the electoral cycle (1.5%).

Salaried job creation in non-farm market sectors should rise gradually as the economy recovers, although the average annual increase in employment is likely to slow down to 0.5%, due in particular to the productivity cycle. Nominal wage growth is expected to be 3.1% following a drop in inflation, but it should slow down to a lesser extent than inflation. Overall, real wages should rise more than in 2023.

A significant fall in inflation is expected, easing to 2.6% in 2024. More normal levels of inflation will depend to a large extent on slower increases in food and manufactured goods prices, a process that began in summer 2023. Energy prices should continue to have a limited contribution to inflation. Services are expected to become the main driver of inflation, particularly in areas most exposed to wage trends (hotels and restaurants, household services etc.). However, this should not jeopardise the gradual decline in inflation: services price inflation stopped rising several months ago, and wage growth is likely to peak in the second half of 2023. The fall in inflation and well-anchored inflation expectations suggest that a wage-price spiral will be avoided. This means that core inflation should remain close to overall inflation at 2.4% in 2024.

These growth forecasts are similar to those of the main international organisations.

For 2023, the forecast is identical to those of the European Commission and OECD (1.0%) and very close to those recently published by INSEE and the Banque de France (0.9%). Other forecasts are slightly lower, but they take little or no account of the good growth figures of the second quarter of 2023. For 2024, the growth forecast is higher than that of the Banque de France (0.9%) but close to those of most international organisations: the European Commission and OECD are forecasting 1.2% and the IMF 1.3%.

Table 1: Economic forecasts for 2023-2024
(real annual changes in %, unless otherwise stated)

	2022	2023	2024	Cumulative 2019/2024
GDP - France*	2.5	1.0	1.4	3.2
World demand for French goods	5.5	-0.5	3.0	13.9
Consumer price index - France	5.2	4.9	2.6	//
World GDP*	3.5	3.0	3.0	13.5
United States GDP*	2.1	2.1	0.8	8.1
Euro area GDP*	3.4	0.9	1.3	4.5
USD/EUR exchange rate (level)**	1.05	1.09	1.09	//
Oil price (Brent, USD/barrel) (level)	101	82	86	//

** Data adjusted for working days.*
*** The value of one euro in dollars, i.e. €1 = $X.*

Box 1: How much catch-up potential is there in the French economy?

The major shocks caused by the COVID-19 pandemic and Russia's invasion of Ukraine have significantly affected the French economy. Although GDP is now well above its end-2019 level (up 1.7% in the second quarter of 2023), there is a substantial difference between it and the pre-pandemic trend. The extent to which this difference represents a permanent loss for the economy, or is the result of temporary factors likely to be recouped in the years to come, is crucial for the French economy's growth trajectory.

The analysis that underlies the 2024 Budget Bill scenario is that permanent losses amount to 1.25%, while temporary losses that the French economy is capable of recouping in future years amount to 1%. This "catch-up potential" is quantified in terms of the output gap, which is the difference between observed and potential output, i.e. the level of output at which production factors are fully utilised without causing inflationary pressure. This gap (non-observed) was estimated at -0.9 point in 2022, supporting the analysis that there is a lot of catch-up potential in the French economy.[11]

From the demand point of view, consumer spending and exports in 2022 appeared to be particularly declining relative to their trend rates observed until 2019, and are likely to rebound in the years to come. The various components of GDP have been affected to varying extents by the recent shocks: business investment has been particularly resilient, while consumer spending and exports remain low. This has resulted in a sharp increase in the household savings ratio and a large loss of the export market share. If these components returned to normal, even just partially, output would receive a significant boost. **In addition, there is a great deal of catch-up potential on the supply side, because certain sectors are underutilising their production capacity.** There is also a significant overlap between supply and demand, since sectors with unused production capacity are to a large extent the same ones affected by the negative shocks to consumer spending and exports.[12]

If households' savings behaviour returned to normal, output would be boosted by 0.5 point of GDP. The savings ratio rose sharply between 2019 and 2022, from 15.1% to 17.4%. This is because growth in consumer

[11] More specifically, successive shocks have caused a 3.2-point loss of output compared with a scenario in which the French economy fulfilled its growth potential, i.e. maintained a pace of growth at which production factors were fully utilised without causing inflationary pressure. This 3.2-point loss comprises 1.25 point regarded as permanently lost, 0.9 point that can be recouped in future years and a 0.9-point positive output gap in 2019 that was destined to be closed.
[12] This parallel supports the view that there is a negative output gap: if demand were to pick up without spare capacity on the supply side, this would have a greater possibility of fuelling price rises. This analysis is also supported by the recent downtrend in inflation and the supply-side difficulties seen in recent months.

spending was significantly weaker (0.1% cumulatively) than growth in purchasing power over the period (3.1%). Although part of the increase in the savings rate (around 1 point) reflects additional investment in real estate by households, the financial savings ratio also increased, boosting the savings ratio by around 1.5 points. If the savings ratio returned to normal by 2027, this would boost consumer spending by 1.7 points, leading to a 0.5-point increase in GDP given the crowding-out effect from imports. By comparison, the increase in the savings ratio following the 2008 crisis took four years to dissipate, which supports the medium-term assumptions made here.

If lost export performance were partly recouped, this would also support France's growth until 2027. The pandemic caused a significant deterioration of the French economy's export performance, with the ratio of exports to world demand for French goods falling by around 15 points between 2019 and 2022. It is reasonable to expect that the French economy will recoup this loss partially for several reasons: 1) the French economy managed to stabilise its market share in the 2010s, with measures to reduce labour costs allowing an improvement in cost competitiveness; 2) the main industry-specific shocks affecting French exports (mainly in the aerospace, automotive and electricity sectors) seem to be mainly temporary in nature; and 3) a recovery in export performance was already seen in the first half of 2023. As regards aerospace equipment in particular, the effect of specialisation in 2022 has been measured as having a -4.9% impact on exports in 2019[13] (a third of the performance loss). The medium-term scenario is based on the assumption that a third of the lost performance will be recouped by 2027, which is cautious given the aforementioned factors.

On the supply side, there is still catch-up potential in many sectors that have not yet returned to full production due to temporary factors. There is a large overlap between the sectors concerned and those where there is catch-up potential on the demand side. This means that the catch-up effect will feed through in full to output, while the resulting inflationary pressures will be limited. This is particularly the case for electricity generation, which was adversely affected in 2022 by maintenance work on nuclear plants. The fall in value added in the energy sector resulted in a 0.4-point loss of GDP in 2022 (compared with the end of 2021), of which only 0.2 point have since been recouped.[14] If the gap continues to close, exports, which have traditionally been strong in this industry, would be boosted,. This is also the case for the production of transport equipment, in both the automotive and aerospace sectors, which have suffered serious supply-side problems, specifically affecting their supply chains. This industry's value added is catching up gradually, but in the second quarter of 2023 it remained significantly lower than its pre-pandemic level (down 23.5% on 2019) whereas employment fell only 2.4% over the same period. As regards aerospace, although Airbus confirmed its 2023 target of delivering 720 aircraft on 26 July 2023 (versus 663 in 2022), this figure remains much lower than the 863 aircraft delivered in 2019. The industry should continue to see a catch-up effect in production, driven by an order book that remains very large: Airbus had a record-breaking order backlog of 7,967 aircraft in June 2023, more than the 7,482 recorded in late 2019. The upturn in these sectors should fulfil the catch-up potential of demand components (particularly in the automotive sector as regards consumer spending and in the aerospace sector as regards exports), with limited pressure on the production base. Finally, although higher energy prices have affected the most energy-intensive industries – "other manufacturing industries", which include the majority of energy-intensive industries, saw production fall for four consecutive quarters starting in the second quarter of 2022 – an easing of energy prices could reverse the trend. That upturn has already started because production in other manufacturing industries rose 0.5% in the second quarter of 2023.

[13] This way of measuring the specialisation effect compares the change in the value of French exports between 2019 and 2022 with the change that would have occurred during the period if the aerospace industry's share of exports (or more specifically that of the non-automotive transport equipment industry) had been in line with that seen in the EU as a whole, while also factoring in developments in French exports in the aerospace and non-aerospace sectors.
[14] On average in 2022, the energy industry's contribution to GDP growth was -0.3%, whereas the carry-over growth in the second quarter of 2023 was 0.1%.

Box 2: Review of the forecasts for 2023 and 2024

The economic scenario in the Stability Programme (PStab) published on 26 April 2023 is broadly confirmed. The GDP growth forecast is unchanged for 2023 (1.0%) and has been revised slightly lower for 2024 (1.4% compared with 1.6% for the PStab).

The 2023 GDP forecast is supported by a carry-over growth of 0.8% at the end of the second quarter according to quarterly accounts published by INSEE on 31 August 2023. The latest economic indicators suggest that GDP will continue to grow in the second half, although at a slower pace than that seen in the second quarter.

The 0.2-point reduction in the 2024 forecast is the result of slight adjustments to demand components. In particular, interest-rate forecasts have been raised, leading to a more pronounced slowdown in investment. The rebound in consumer spending has proved a little slower to materialise than the PStab anticipated, resulting in a slight downward revision for average consumer spending in 2024.

The inflation forecast is unchanged relative to the PStab in both 2023 (4.9%) and 2024 (2.6%). Inflation has continued to fall (from 6.3% in February to 4.9% in August 2023), confirming that inflation peaked in early 2023. Leading indicators (producer prices and agricultural commodity prices in particular) also suggest that inflation in food and manufactured goods prices is likely to continue falling in the coming months.

Table 2: Comparison between forecasts in the 2024 Budget Bill and those of the July 2023 Stability Programme

Annual growth rate (in %)	Stability Programme 2023-2027			2024 Budget Bill		
	2023	2024	Cumulative 2019/2024	2023	2024	Cumula-tive 2019/2024
International environment						
Global demand for goods addressed to France	1.6	2.5	15.9	-0.5	3.0	13.9
USD/EUR exchange rate (absolute level)	1.07	1.07	//	1.09	1.09	//
Oil price (Brent, USD/barrel) (absolute level)	83	83	//	82	86	//
France						
GDP	1.0	1.6	3.5	1.0	1.4	3.2
Consumption expenditure of households	0.2	1.9	2.9	-0.2	1.8	1.8
Total gross fixed capital formation	2.1	0.9	7.4	1.6	0.3	6.8
of which non-financial companies	3.8	1.4	*12.8*	*3.2*	*0.9*	11.9
of which general government	3.4	0.3	*1.3*	*5.7*	*1.3*	*5.3*
Imports	3.1	3.0	8.6	0.3	3.1	7.2
Exports	3.5	3.6	3.6	2.1	3.5	4.2
Contribution of foreign trade to growth (in percentage pts of GDP)	0.0	0.1	//	0.6	0.1	//
Contribution of inventories to growth (in percentage pts of GDP)	0.1	0.0	//	-0.1	0.0	//
Contribution of domestic demand excluding inventories (in percentage pts of GDP)	0.9	1.4	//	0.5	1.3	//
Total consumer price index	4.9	2.6	//	4.9	2.6	//

Sources: Stability Programme 2023-2027, 2024 Budget Bill forecasts.

Box 3: 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. The HCFP is an independent fiscal institution, set up by the Constitu-

tional Bylaw no. 2012-1403 of 17 December 2012 relating to the planning and governance of public finances. Its remit was expanded by Act no. 2021-1577 of 6 December 2021 and Constitutional Bylaw no. 2021-1836 of 28 December 2021.

In particular, its task is to assess 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 2024, issued on 27 September 2023, the HCFP considered the growth forecast for 2023 to be "plausible" and that for 2024 to be "high". It also described the inflation forecasts for 2023 and 2024 as "plausible".

Box 4: Comparison with forecasts by the European Commission and international organisations and with Consensus Forecasts

The government's growth forecast for 2023, which stands at 1.0%, is identical to those issued by the OECD on 19 September 2023 and by the European Commission on 11 September 2023. The government's forecast is close to the IMF figure published on 25 July (0.8%), which does not factor in the good figures of the second-quarter. It is also close to the average of forecasts provided by economists as part of the September Consensus Forecasts (0.8%).

For 2024, the growth forecast is slightly above recently published forecasts. The government's scenario is close to those of the European Commission and OECD issued in September (1.2%). It is also very close to the IMF's forecasts published in July (1.3%). The 2024 figure in the September Consensus Forecasts (0.8%) is lower than that of the government. The variations between these forecasts are due to ongoing uncertainty, particularly in relation to the geopolitical backdrop, the international outlook and changes in energy prices. In addition, assumptions regarding public policy measures in France are not necessarily made explicit by other forecasters. As a result, part of the difference between the forecasts could be attributed to measures included in the 2024 Budget Bill that have not been fully taken into account.

The 2023 inflation forecast is within the range of figures produced by other forecasters. As regards CPI inflation, the September Consensus Forecasts include a very similar average annual figure of 5.0%. As regards HICP[15] inflation, the European Commission (September) is forecasting 5.6% and the OECD (September) 5.8%, similar to the French government's figure of 5.7% for its comparable inflation measure.

The inflation forecast for 2024 is also within the range of other forecasters: as regards CPI inflation, the September Consensus Forecasts are forecasting average annual inflation of 2.7%. As regards HICP inflation, the European Commission (September) is forecasting 2.7% – identical to the French government's figure for the comparable inflation measure – while the IMF forecasted 2.5% in April. The OECD's figure, published in September, is higher at 2.9%.

[15] *HICP (harmonised index of consumer prices) is a European measure of inflation. It differs from the CPI (consumer price index) in its weightings and some of its components. In particular, the HICP takes into account prices net of taxes and rebates, whereas the CPI uses gross prices. Although in the past the difference between the two figures has been limited on average (0.16 points), the higher weighting given to energy in the HICP led to wide gaps in 2022. The difference is likely to remain large in 2023 for two main reasons: food price inflation has a greater impact on the HICP than on the CPI, and the elimination of the public broadcast licence fee in late 2022 had a major downward effect on the CPI alone. These factors are likely to play a much smaller role in 2024.*

Table 3: Forecasts for France
Budget Bill, OECD, European Commission and IMF

	2024 Budget Bill		OECD* Sept. 2023		European Commission* - Sept. 2023		IMF* - July 2023	
Annual growth rate (in %)	2023	2024	2023	2024	2023	2024	2023	2024
GDP	1.0	1.4	1.0	1.2	1.0	1.2	0.8	1.3
Harmonised Index of Consumer Prices	5.7**	2.7**	5.8	2.9	5.6	2.7	n.a.	n.a.
Net Lending (+) or Borrowing (–) of the General Government (in percentage points of GDP)***	-4.9	-4.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

** OECD: Interim Economic Outlook, 19 September 2023; IMF: World Economic Outlook Update; European Commission: Summer Interim Forecast, 11 September 2023.*

*** This forecast corresponds to CPI inflation of 4.9% in 2023 and 2.6% in 2024.*

**** According to the Maastricht definition.*

Table 4: Comparison of the economic outlook
of the Budget Bill and the Consensus Forecasts

	2024 Budget Bill core economic scenario			Consensus Forecasts September 2023		
Average annual growth rate (in %)	2023	2024	2024/ 2019	2023	2024	2024/ 2019
International – GDP growth						
United States	2.1	0.8	8.1	2.1	0.8	8.1
Japan	2.3	1.2	2.4	1.8	0.9	1.6
United Kingdom	0.5	0.8	1.0	0.3	0.4	0.4
Euro area	0.9	1.3	4.5	0.5	0.7	3.6
France						
GDP	1.0	1.4	3.2	0.8	0.8	2.3
Household consumption	-0.2	1.8	1.8	-0.1	0.9	0.9
Business investment	3.2	0.9	11.9	2.5	0.4	10.6
Consumer Price Index	4.9	2.6	/	5.0	2.7	/

Fiscal outlook

1

Fiscal overview and strategy

Overview

The international economic environment started to deteriorate towards the end of February 2022 as a result of Russia's invasion of Ukraine, which led to soaring commodity prices, a resurgence of supply chain disruptions and greater uncertainty. This environment called for fiscal stimulus to help households and businesses coping with higher energy prices. Nearly €44bn was devoted to support measures, which include the caps on gas and electricity price increases, a reduction in motor fuel prices, along with an early increase in social benefits on 1 July and other measures to support households and businesses. The fiscal cost was partially offset by lower charges for public service energy obligations and the implementation of the revenue cap on *inframarginal* electricity power producers (see Box 2), for a net cost of nearly €32bn. The central government's debt service expense was also higher than in 2021, largely as a result of the index-linking payment on inflation-linked bonds. Tax cuts continued, with the elimination of the public broadcast licence fee, continued corporation tax rate cuts and the phasing out of residence tax on main residences. Expenditure on building the France of tomorrow has remained very substantial. Spending under the France Relance recovery plan is continuing at a pace similar to that seen in 2021 and the scaling up of the France 2030 plan has commenced. **Despite all of this, the government deficit continued to improve, standing at 4.8% of GDP in 2022, compared to 6.5% in 2021.** This improvement can primarily be attributed to continuing economic recovery, along with strong revenue growth, owing to the fact that the spontaneous growth of taxes and social security contributions outpaced GDP growth. Furthermore, support measures related to COVID-19 were cut back sharply in 2022.

In 2023, the general government deficit should stand at 4.9% of GDP, owing in particular to continued strong inflation protection measures for households and businesses. As was the case in 2022, the government has continued to protect the households and businesses most affected by rising prices. Continuing the measures protecting against price hikes is expected to carry a gross cost of €37bn and a net cost of €25bn (see Box 2). Measures to protect businesses were stepped up by extending and simplifying the one-stop shop for business support, maintaining price caps and the introduction of electricity bill reductions for some VSEs and SMEs. The government also better targeted energy measures supporting the lowest-income households, replacing the fuel rebate with a fuel voucher that benefits 50% of the lowest-income households that have to drive their vehicle to commute. The government also continued its long-term action to boost business competitiveness, more specifically by implementing further cuts in taxes on production, continuing on from those introduced in 2021, and by eliminating half of the contribution on business value added (CVAE). The last stage in the process to completely eliminate the residence tax on main residences took place in 2023, thereby boosting the purchasing power of households. In 2023, spontaneous growth of taxes and social security contributions should be slower than economic growth, in contrast to their strong growth in 2022. Expenditure on recovery measures should decrease in 2023, after reaching their peak, and as a result of the elimination of virtually all expenditure on emergency measures and lower debt service expense, following significant index-linked payments in 2022.

The structural deficit should also show a slight improvement of 0.1 percentage points compared to 2022 and stand at 4.1% of GDP. The ratio of government debt to GDP should decrease significantly to 109.7%, compared to 111.8% in 2022.

In 2024, the general government deficit should continue to improve and stand at 4.4% of GDP, in line with the target of returning to compliance with fiscal standards, once the crises have subsided.

The improvement is mainly made possible by phasing out the temporary energy and recovery measures. Easing energy prices should make it possible to phase out support measures for coping with inflation. The gross cost of the price caps should be €12.2bn, with the addition of various support measures, bringing the total to

€13.6bn. The net cost of these measures should stand at €5.9bn in 2024. However, this effect should be partially offset by higher interest payments on government debt resulting from the growing impact of interest rate increases. The government will also continue to cut aggregate taxes and social security contributions for both households and businesses. More specifically, cuts to the contribution on business value-added (CVAE) will continue until it is completely eliminated by the end of President Macron's term. The minimum contribution to business value-added will be eliminated, which means that some 300,000 businesses will no longer have to pay it in 2024.

The structural deficit should continue to improve, standing at 3.7% of GDP, and the debt ratio is forecasted to be stable at 109.7% of GDP. **The aggregate tax and social security contribution rate** should stand at 44.0% of GDP in 2023, compared to 45.4% in 2022. When these figures are adjusted for the price caps, the rate would stand at 45.6% in 2022 and 44.4% in 2023. The sharp decrease stems from 4.0% spontaneous growth in revenue, which is much lower than the spontaneous nominal GDP growth of 6.8%. Several factors explain this weak revenue growth, including (i) the indirect effect of the very strong growth of taxable profits in 2021 on the corporation tax revenue balance, (ii) payroll growth that lagged behind nominal growth, thereby reducing revenue from social security contributions, (iii) tighter mortgage lending terms, which decreased revenue from transfer taxes, (iv) inflation adjustment of income tax brackets, which has a negative impact on revenue, (v) lower fuel consumption, which affects domestic consumption tax on energy products, and (vi) the effect of large VAT credit refunds on VAT revenue. Discretionary revenue measures should also decrease aggregate taxes and social security contributions by €4.0bn. These measures included continuing cuts in the contribution on business value-added, a further cut in the domestic consumption tax on electricity for end-users, as part of the extension of the price caps, phasing out of the residence tax on main residences, a cut in corporation tax rate, a cut in social security contributions for self-employed workers and recognition of gains on public service energy obligations as revenue. The implementation of the contribution on infra-marginal revenue paid by energy producers and the sharp drop in Competitiveness and Employment Tax Credit refunds mitigated the impact of these measures. In 2024, the aggregate tax and social security contribution rate, adjusted for the effect of the price caps, should be unchanged from 2023, standing at 44.4% of GDP, as spontaneous revenue growth of 4.2% should virtually match the nominal GDP growth of 4.0%. Strong revenue growth stems primarily from dynamic corporation tax revenue growth, driven by the increase in taxable profits in 2023. Discretionary measures should help reduce aggregate taxes and social security contributions by €1.5bn. The 2023 Initial Budget Act called for the contribution on business value-added to be eliminated entirely in 2023, but it will instead be phased out over four years. This measure, along with the end of the contribution on infra-marginal revenue paid by electricity producers, will largely offset the implementation of the tax on transport infrastructure managers and the increase in energy taxes paid by households and businesses, in the context of easing energy prices.

The ratio of public expenditure to GDP should continue to fall, standing at 55.9% in 2023, excluding tax credits, compared to 57.7% in 2022. Public expenditure should decrease by 1.3% in real terms, following a decline of 1.1% in 2022. The decrease should stem mainly from the elimination of virtually all expenditure on emergency measures and lower expenditure on recovery measures. The ratio of public expenditure, excluding tax credits, to GDP should continue to fall to 55.3% in 2024. Public expenditure should increase by 0.5% in real terms, particularly as a result of higher central government debt service expense stemming from higher interest rates – excluding interest expenses, public expenditure would shrink by 0.1% in real terms – and the lag in the indexing of social benefits to inflation, which increases nominal expenditure while inflation is slowing. These increases are partially offset by the significant decrease in support measures for coping with higher prices and, to a lesser extent, by the fall in recovery plan expenditure, which is now past its peak.

Table 1: General government balance by sub-sector			
Lending capacity (+) or borrowing requirement (-) as a % of GDP	**2022**	**2023**	**2024**
Central government	-5.7*	-5.3	-4.6
Central government agencies	0.5*	-0.1	-0.1
Local government	0.0	-0.3	-0.3
Social security funds	0.4	0.7	0.6
General government balance	**-4.8**	**-4.9**	**-4.4**

** Including the SNCF Réseau debt assumed in 2022 (€10bn). This transaction is neutral for the general government balance because the central government expenditure is recorded as revenue for central government agencies. Without this transaction, the central government deficit would be equal to 5.3% of GDP in 2022 and the central government agencies surplus would be equal to 0.1% of GDP.*

Table 2: Structural balance			
As a % of potential GDP, unless otherwise noted	**2022**	**2023**	**2024**
General government balance* (1)	**-4.8**	**-4.9**	**-4.4**
Cyclical balance * (=0,57 * output gap) (2)	-0.5	-0.7	-0.6
One-off and other temporary measures (3)	-0.1	-0.1	-0.1
Structural balance = (1) - (2) - (3)	-4.2	-4.1	-3.7
Structural adjustment	**1.0**	**0.1**	**0.5**
of which structural effort	-0.4	1.7	0.5
*of which discretionary revenue measures***	*-0.4*	*-0.3*	*0.0*
of which expenditure effort (including tax credits)	*0.0*	*2.1*	*0.5*
of which non-discretionary component	1.4	-1.7	0.0
of which non-tax revenue	*0.0*	*-0.5*	*-0.1*
of which tax elasticity effects	*1.3*	*-1.1*	*0.1*
Output gap	-0.9	-1.2	-1.1

** As a % of nominal GDP*

***Discretionary revenue measures, including tax credits and excluding one-off and other temporary measures.*

Table 3: Key figures			
As a % of GDP, unless otherwise noted	**2022**	**2023**	**2024**
Total government debt	**111.8**	**109.7**	**109.7**
Government debt, excluding financial support for the euro area	109.3	107.4	107.6
General government expenditure, excluding tax credits	**57.7**	**55.9**	**55.3**
Nominal growth (%)	4.1	3.4	3.0
Real growth (%)	-1.1	-1.3	0.5
*Real growth excluding emergency support and recovery measures (%)**	2.5	0.0	0.9
Aggregate tax and social security contribution rate	**45.4**	**44.0**	**44.1**
Aggregate tax and social security contribution rate adjusted for the price caps	**45.6**	**44.4**	**44.4**

Box 1: Emergency support measures and the recovery plan

The government introduced emergency support measures back in March 2020 to cope with the COVID-19 crisis. The purpose of the measures was to provide effective protection for France's production plant and jobs. Expenditure on these measures was still very substantial in 2021 to cope with the pandemic and economic crisis. It declined sharply in 2022 and should be virtually ended in 2023 and 2024 with the elimination of the main support measures, such as the solidarity fund, the short-time work scheme and exemptions from social security contributions.

Table 4: Breakdown of emergency support measures having a direct impact on the Maastricht deficit

Emergency support measures *(€ bn)*	2020	2021	2022	2023	2024
Short-time work scheme (excluding long-term support under the recovery plan)	25.3	8.1	0.2	-	-
Solidarity Fund and related support, including support for sports, mountain resorts and culture	16.0	23.9	1.4	-	-
Exceptional healthcare expenditure	14.0	18.3	11.7	0.9	-
Exemptions and support for social contribution payments	5.8	2.9	0.3	-	-
Cash holdings of the Public Health Agency (SPF)	-0.9	-	-	0.4	0.4
Extension of entitlement to income replacement and postponement of unemployment insurance reform	3.9	5.1	0.3	-	-
Carry-back of losses against previous taxable income for businesses	0.1	0.4	-0.1	-	-
Tax credit for lessors	-	0.1	-	-	-
Other specific support measures (masks, long-term intermittent workers, etc.)	6.4	1.9	0.0	-	-
Losses on European Investment Bank (EIB) loans	-	0.0	0.0	0.3	0.2
Losses on government-backed loans (net of premiums)	-0.4	-0.1	1.0	1.3	0.7
Other central government expenditure	-	1.0	-	-	-
Total	**70.1**	**61.7**	**14.8**	**3.0**	**1.3**

In September 2020, the Government presented its €100-billion France Relance recovery plan to supplement these emergency support measures. Deployment of the plan was massively stepped up in 2021 and 2022, followed by slower expenditure in 2023. The aggregate impact of the measures on the general government deficit, before European funding, is expected to be €12.3bn in 2023 and €7.7bnin 2024, compared to €19.7bn in 2022. In addition, there has been a permanent cut of approximately €10bn in taxes on production.

European funding is expected to come to €40.3bn in subsidies for the France Relance plan as a whole, including €2.8bn under the REPowerEU plan, which the European Commission presented in May 2022. These funds are recognised as non-tax revenue, with a differential between the accrual-based national accounts and the cash-based accounts owing to the expected lag between the execution of the expenditure financed by the EU and the actual remittance of the relevant funds.

Table 5: Cost of France Relance recovery plan measures in the national accounts balance from 2020 to 2024

Recovery plan (incl. REPowerEU) *(€ bn)*	2020	2021	2022	2023	2024
Recovery plan measures (excluding taxes on production – before EU financing) (A)	2.5	22.5	19.7	12.3	7.7
EU financing (B)	0.0	-13.5	-11.1	-6.6	-4.4
Recovery plan net of EU financing (A+B)	**2.5**	**9.0**	**8.6**	**5.7**	**3.3**

Box 2: 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.

The 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.[16]

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 of 2022. The rebate stood at 18 cents per litre, including tax, from 1 April to 31 August. It was increased to 30 cents per litre, including tax, between 1 September and mid-November 2022, and then set at 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 voucher, fuel wood voucher, heating fuel oil voucher).

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.

[16] Three measures were introduced to ensure the effectiveness of the 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 the further freeze of 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 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, along with local governments with the "electricity cost shock absorber". This measure was implemented on 1 January 2023. It stipulated that the central government should 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, also known as the "super shock absorber". Under this measure, very small businesses that renewed their electricity supply contracts in the second half of 2022 and do not benefit from regulated retail prices shall not pay more than €280 per MWh (excluding taxes) on average in 2023.
- The facility to help the most energy-intensive businesses pay their electricity and gas bills in 2023. This measure extends and simplifies 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.

In 2024, falling energy prices should make it possible for the government to start phasing out support measures for coping with inflation. The cap on gas prices ended in July 2023,[17] and the electricity price cap is slated to end by early 2025. Furthermore, the commercial electricity bill reduction scheme will be partially extended in 2024 for existing contracts.

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

- The 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 or 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. Current price trends lead to the expectation of further revenue in 2024 from this arrangement. In contrast, other schemes still entail central government subsidies (particularly in areas off the national grid), costing €3bn from 2022 onwards.
- The contribution on infra-marginal revenue from electricity generation is a scheme 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, which are particularly volatile.

[17] The cap on gas prices was partially extended for beneficiary co-ownerships in 2023.

Table 6: Impact of support measures to cope with inflation on the general government balance (€ bn)

Cost of support measures and price caps (€ bn)	2021	2022	2023	2024
Gas price cap – compensation for suppliers	0.4	6.7	2.3	0.5
Electricity price cap – cuts in consumption taxes on electricity for end-users	-	7.0	8.8	8.9
Electricity price cap – compensation for suppliers	-	11.2	15.9	2.8
Inflation benefit	3.8	-	-	-
Fuel rebate	-	7.9	-	-
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
Commercial electricity bill reduction and price guarantee for VSEs (additional commercial electricity bill reduction)	-	-	2.6	0.8
One-stop shop to help businesses pay their electricity bills	-	0.5	2.5	-
Sectoral subsidies	-	0.9	0.1	-
Support vouchers for low-income households*	0.5	1.2	1.3	-
Other	-		0.9	-
Total	**4.7**	**43.6**	**36.8**	**13.6**
Cut in public service energy obligations**	-1.9	-10.1	-8.6	-6.7
Contribution on infra-marginal revenue from electricity generation (CRI)	-	-1.2	-3.1	-
One-off solidarity contribution (CES)	-	-0.2	-	-
Increase in hydroelectricity royalties	-0.1	-0.2	-0.4	-1.0
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**	**-11.7**	**-12.1**	**-7.7**
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	**2.7**	**31.8**	**24.7**	**5.9**

* One-off energy vouchers, "heating fuel oil" voucher, "fuel wood" voucher and fuel rebate in 2023. *Commuter fuel rebate announced on 24 September 2023 will be introduced during Parliament discussions.*

*** The savings indicated is the differential between the level of public service energy obligations to date and the level forecast by the Energy Regulation Commission in July 2021, before the price caps were implemented (€8.0bn in 2021, €8.8bn in 2022, assumed to be constant in 2023 and 2024)*

2022 outturn and 2023 mid-year outturn

Outturn in 2022

Overview of the year

The 2022 general government deficit, as defined by the Maastricht Treaty, stood at €126.8bn, or 4.8% of gross domestic product (GDP), down from 6.5% in 2021.

The smaller deficit can be attributed to the improvement in the cyclical balance, which contributed 0.7 percentage points of GDP to the reduction. The cyclical deficit improved as the rebound in economic growth that started in 2021 continued (2.5% in real terms, following 6.4% growth in 2021).

Another percentage point of GDP in the improvement of the general government balance stems from the structural balance, which shrank from 5.2% of GDP in 2021 to 4.2% in 2022. The larger structural balance stems from the phasing out of emergency support measures implemented during the pandemic, which reduced expenditure by €47bn compared to 2021, and by the spontaneous growth of taxes and social security contributions, which was much stronger than GDP growth (see below). However, these positive effects were mitigated by (i) the rollout of measures to support households and businesses in coping with the inflation shock, which resulted in an added net cost of €29bn compared to 2021, (ii) the increase in the debt service expense, and (iii) tax and social security contribution cuts, including the elimination of the public broadcast licence fee, further cuts in the corporation tax rate and the elimination of the residence tax on main residences.

The 2022 deficit was incurred mainly by central government (5.2% of GDP), whereas the local government balance was near equilibrium and the social security funds posted a surplus equivalent to 0.4% of GDP. This data is taken from the latest update of the general government accounts published by the French National Statistics Institute at the end of August, with a slight revision of the 2022 deficit to 4.8% of GDP, compared to the 4.7% figure published last May.[18]

Public expenditure in 2022

Public expenditure (excluding tax credits) grew by 4.1% in nominal terms in 2022, compared to 4.3% in 2021. The 5.3% inflation rate in 2022 (excluding tobacco) means that this growth figure actually obscures a 1.1% reduction in expenditure in real terms. Consequently, public expenditure as a percentage of GDP (excluding tax credits) fell significantly from 58.4% in 2021 to 57.7% in 2022. Most of this change can be attributed to lower expenditure on the emergency support measures to deal with the pandemic (down €47bn on the 2021 figure). This reduction is partially offset by (i) expenditure on measures to protect households and businesses coping with inflation and (ii) higher debt service expense.

Central government expenditure (excluding tax credits) grew by 7.5% in nominal terms compared to 2021, after posting 1% growth in 2021, including transfers. This nominal growth is driven mainly by the increase in the central government's interest expense on inflation-linked bonds. Gross fixed capital formation increased by 23%, after contracting by 2.1% in 2021. This increase stems from investment in military equipment and central government properties. Employee wages increased by 3.7% as civil service pay rose 3.5% on 1 July 2022. Intermediate consumption expenditure on also rose by 8.1%, as inflation surged. Expenditure on subsidies was stable, following an increase of 10.9% in 2021. The stability of this expenditure conceals an increase in subsidies related to support measures to cope with inflation that has been offset by the phasing out of the pandemic measures. Expenditure on social benefits was down by 4.1%, mainly as a result of the lower expenditure on the short-time work scheme implemented during the pandemic.

[18] Source: INSEE, National accounts in 2022, 31 May 2023

Central government agencies' expenditure increased by 4.3% in 2022. This increase stems primarily from the growth of gross fixed capital formation, which grew by 6.0%, following 5.2% growth in 2021 and from expenditure on subsidies, which grew by 20.6% in 2022, following a rise of 36.6% in 2021. These increases were driven by increased expenditure by universities, by *France Compétences* primarily in relation to apprenticeship contracts, and by the National Housing Agency (ANAH) in connection with the MaPrimeRénov scheme.

Local government expenditure grew by 5.1% in nominal terms, following a rise of 4.5% in 2021. Most of the increase was driven by (i) higher expenditure on intermediate consumption, which rose by 7.2%, following a rise of 6.3% in 2021 owing to inflation, and (ii) greater investment expenditure, which rose by 8.1%, following a rise of 8.9% in 2021 and (iii) personnel expenditure, which was up by 5.0% following a rise in civil service pay.

Nominal growth of social security expenditure slowed from 3.5% in 2021 to 3.0% in 2022 as the increase in expenditure on social benefits slowed from 3.4% to 2.6%. The slower growth can be attributed primarily to the cost of pandemic measures, which remains high, but is still lower than in 2021. This effect was partially offset by the early 4.0% increase in social benefits implemented in July 2022 and by expenditure required under the Ségur agreement on the renovation of the healthcare system.

Aggregate tax and social security contribution rates in 2022

Aggregate taxes and social security contributions as a share of GDP increased by one percentage point in 2022 to stand at 45.4%, following a ratio of 44.3% in 2021. This increase stems from the 8.7% spontaneous growth of government revenue, which far outstripped GDP growth of 5.5%. The reasons for this include the growth of revenue from corporation tax, as taxable profits surged in 2021, affecting both the balance of taxes due and the advance tax payments made in 2022, and by strong payroll growth, which boosted social security contributions, aggregate income tax revenue, along with strong growth of VAT revenue. On the other hand, large tax cuts were made in 2022, which reduced aggregate tax and social security contributions by €7.7bn. These measures include the cut in the domestic consumption tax on electricity for end-users under the electricity price caps.

Non-tax revenue in 2022

Non-tax revenue was equal to 7.6% of GDP in 2022, the same figure as in 2021.

2023 mid-year outturn

Public expenditure in 2023

Central government expenditure should be in line with the appropriations made under the 2023 Initial Budget Act.

The government introduced significant discretionary spending measures during the year. These notably include civil service pay rises to cope with inflation, greater support for Ukraine in its conflict with Russia, and continued and sustained efforts to achieve full employment with the extension of the existing apprenticeship bonus scheme, with no change to the parameters.

However, this additional expenditure should be covered by efforts to control expenditure during the year.

For this purpose, central government budget steering should rely first and foremost on the practice of setting aside enhanced reserves instituted by the 2023 Budget Act. The average reserve ratio was nudged up from 3% in 2022 to 3.5% to leave more fiscal headroom during the year. The reduced ratio of 0.5% was maintained for appropriations for payroll and programmes where appropriations overwhelmingly concern expenditure on social benefits (housing benefit, disability benefit and in-work benefit) and are very unlikely to be allocated for other purposes. Maintaining the reduced ratio despite this unlikelihood was consistent with the process of guaranteeing the probity of setting aside reserves.

For the sixth year in a row, the government also maintained the provisions for major and recurring risks both in the agriculture budget (€125m) and in the armed forces budget for foreign operations and domestic missions (€1.2bn).

These contingency reserves remained untouched at the end of the first half of 2023.

Furthermore, for the first time since 2019, there were no additional appropriations made under a Supplementary Budget Act or by supplemental appropriation decree. On the other hand, significant budget regulation measures were introduced during the year, including an additional appropriation freeze (€1.8bn in commitment appropriations and €1.6bn in payment appropriations) for central government expenditure. For the first time since 2017, a recission decree was introduced that cancelled €4.8bn in commitment appropriations and €5bn in payment appropriations. The decree led to net recission of appropriations, without waiting for the end of the fiscal year, in view of the reduced expenditure requirements for measures that were initially calibrated to cope with higher energy prices.

Strong job growth, combined with savings introduced by reforms between 2019 and 2021 and the requalification of resignations by Decree 2023-275 of 17 April 2023 sustained the consolidation of the unemployment insurance scheme's finances that started in 2022. Payroll employment continued to show strong growth in the first half of 2023 with the creation of 122,800 new jobs. The overshoot of healthcare expenditure stood at €3.5bn compared to the national healthcare expenditure growth target level set out in the Social Security Budget Act. The first reason for the overshoot was the supplementary €0.7bn passed in the 2023 Supplementary Social Security Budget Act to in particular cover compensation for night shifts in keeping with the announcement made by the President of the Republic in his New Year's wishes in January 2023. Additional expenditure for pay rises announced in June 2023 (€1.6bn) and strong cyclical growth of outpatient care expenditure (€1.2bn) added another €2.8bn to the overshoot of the target set in the 2023 Supplementary Social Security Budget Act.

The latest outturn data from local governments, which are subject to persistent uncertainty at this point in the year, are consistent with the forecasts for operating expenditure growth (4.8% for local governments) and for investment expenditure growth (8.5% for local government GFCF, excluding Société du Grand Paris).

Aggregate tax and social security contribution rates in 2023

The aggregate tax and social security contribution projections for 2023 are based on a review of accounting data from the early months of the year and the macroeconomic determinants of their tax bases.

The projection relies on the following elements.

Private-sector non-farm payrolls (excluding exceptional bonuses) that are subject to social security contributions should increase by 6.3% in 2023, compared to 2022. At the end of the second quarter of 2023, the carry-over growth of private-sector non-farm payrolls stood at 5.4%. This growth was driven mainly by wage increases and, to a lesser extent, by job growth.

Net Value Added Tax (VAT) revenue is estimated on the basis of the revenue amount at the end of July, which stood at €122.5bn for the entire general government sector. This represents a gain of nearly €4bn compared to the same period in 2022, for a 3.2% increase. VAT revenue has been affected by large VAT credit refunds, which are accounted for in the updated VAT revenue forecast for 2023.

Gross collection of corporation tax came to €44.4bn at the end of June, or €27.3bn in net collection, including €29.7bn in advance payments for the first half of 2023**.** This amount is down slightly compared to net figure for the same period in 2022, which stood at €31.8bn. The preliminary collection figures corroborate the projected net annual revenue from corporation tax of €61.3bn, which is down slightly by €0.8bn compared to 2022. The decrease stems from a return to normal following the unprecedented 41% surge in taxable profits in 2021, which led businesses to pay off particularly large balances of tax due in 2022.

The personal income tax accounting data from the first seven months of the year show that revenue from tax paid at source is higher than for the same period in 2022, standing at €49.8bn at the end of July and representing an increase of €2.7bn compared to the same period in 2022**.** The strong growth of revenue from tax paid at source is driven mainly by the growth of wages subject to tax paid at source in 2023. Analysis of the first personal income tax returns for 2022 shows that the outstanding tax due is lower than in 2022. The lower amount can be attributed to the inflation rate used to adjust tax scales, which outstripped the growth of average per capita wages.

Revenue from domestic consumption tax on energy products is estimated in part on the basis of the level of consumption of the taxable products at the end of July. This revenue was down by €0.5bn compared to the same period in 2022, which led to a downward revision of the revenue forecast for 2023.

Local governments' revenue from local direct taxes depends mainly on changes in the tax base and the tax rates passed into law. Between January and the end of August 2023, cumulative revenue from transfer taxes came to €11.2bn, which is 20% less than over the same period in 2022, when revenue growth slowed later in the year. This has been factored into the annual forecast, which assumes a 16% drop in revenue compared to 2022. This decline can be attributed to a sharp drop in transaction volume, which fell by 13.5% in the twelve-month period ending in June 2023, as interest rates rise and loan production shrinks.

Outlook and medium-term strategy

In accordance with Article 50 of the Constitutional Bylaw of 1 August 2001 on Budget Acts (as amended by the Constitutional Bylaw of 28 December 2021 on modernising public finance management), this report presents a medium-term fiscal trajectory up until 2027.

The multiyear trajectory underlying the 2024 Budget Bill is the same as that in the updated Public Finance Planning Bill presented at the same time. It projects that the general government deficit will be brought back down to less than 3% of GDP by 2027. A reduction of the structural deficit by 1.5 points between 2023 and 2027 should make a return to compliance with fiscal standards after the pandemic possible. This progressive structural adjustment should lead to a decrease in the ratio of debt to GDP starting in 2025. The ratio stood at 112.9% in 2021, and should fall to 109.7% in 2024. It should then continue falling after 2025 to stand at 108.1% in 2027.

The output gap should widen further in the short term, as global macroeconomic conditions worsen. It should narrow gradually and be closed by 2027. Starting in 2024, actual GDP growth should exceed potential growth. Consequently, the cyclical variation in the general government balance should contribute to improving public finances by 1.2 percentage points of potential GDP between 2021 and 2027.

However, the strategy for returning to compliance with fiscal standards will rely primarily on a permanent structural improvement, to be achieved entirely through a structural expenditure effort. Real growth of public expenditure should be restricted to 0.6% between 2022 and 2027, excluding the effect of ending the emergency healthcare and recovery measures. This growth will be substantially below the potential GDP growth of 1.35%.

Containment of public expenditure will be the task of all general government entities. It will be made possible by structural transformation measures and enhanced assessment of the quality of expenditure. These will produce the fiscal headroom necessary to implement the President of the Republic's commitments and the government's public policy priorities. Social Security funds will do their part to contain expenditure growth. This participation will be made possible by pension reform, unemployment insurance reform, continuing transformation of healthcare under the terms of the Ségur agreement on the renovation of the healthcare system and the development of preventive healthcare policies. Consequently, the national healthcare expenditure growth target, which stands at 4.8% in 2023 (excluding COVID-19), will be set at 3.2% in 2024, 3.0% in 2025 and then 2.9% in 2026 and 2027. The growth targets for each year are still higher than the inflation rate. Local governments will also play their part in this effort. Their target, which is not binding, is to reduce their operating expenditure by 0.5% in real terms each year, starting in 2024.

This public expenditure containment effort is backed up by higher quality of expenditure, particularly critical investments to achieve the green and digital transition and full employment, along with expenditures to ensure the competitiveness of French businesses. Under these circumstances, expenditure under the France Relance recovery plan and the France 2030 Plan will continue to stimulate the economy and boost potential growth by accelerating green transition with incentives for investment, innovation, and social and regional cohesion, as well as measures to ensure digital and industrial sovereignty.

The containment of public expenditure should make it possible for the government to achieve a structural improvement in France's public finances while consolidating the tax cuts that started during President Macron's first term and continued since the beginning of his current term.

This objective will be achieved with the phasing out of the CVAE by the end of President Macron's term. The first step was taken in 2023.

Containment of public expenditure should start reducing the debt ratio in 2025, while leaving the government enough fiscal headroom to continue cutting taxes, as it did in President Macron's first term and has done since the start of his current term. In 2021, the ratio of debt to GDP stood at 112.9%. It showed preliminary declines to 111.8% in 2022 and a projected 109.7% in 2023, on the strength of nominal GDP growth in 2022 and 2023.

The ratio should be stable in 2024 and then start shrinking in 2025 to reach 108.1% of GDP in 2027. This trajectory is shaped primarily by the differential between the general government balance and its debt-stabilising balance. In view of the medium-term growth scenario, the debt-stabilising balance of the general government deficit should stand at between 3.8% and 3.6% of GDP starting in 2025. Consequently, the general government balance each year in 2025 and after should be smaller than the debt-stabilising level and the debt ratio should start to decline. The flow of receivables should make a marginal contribution to lowering debt in the medium-term, particularly because of the lag in recognising revenue from the financing for the European recovery plan.

Table 7: Multiyear fiscal trajectory

% of GDP, unless otherwise noted	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
General government balance	**-6.5**	**-4.8**	**-4.9**	**-4.4**	**-3.7**	**-3.2**	**-2.7**
of which Central government	-5.7	-5.7	-5.3	-4.6	-4.2	-4.1	-4.0
of which Central government agencies	-0.1	0.5	-0.1	-0.1	-0.1	-0.1	-0.1
of which Local government	0.0	0.0	-0.3	-0.3	-0.2	0.2	0.4
of which Social Security Funds	-0.7	0.4	0.7	0.6	0.7	0.9	1.0
Cyclical balance	-1.2	-0.5	-0.7	-0.6	-0.4	-0.2	0.0
One-off and other temporary measures*	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Structural balance*	-5.2	-4.2	-4.1	-3.7	-3.3	-2.9	-2.7
Structural adjustment*	**-3.1**	**1.0**	**0.1**	**0.5**	**0.4**	**0.3**	**0.2**
General government expenditure, excluding tax credits	58.4	57.7	55.9	55.3	55.0	54.4	53.8
Real growth of general government expenditure, excluding tax credits (in %)	*2.6*	*-1.1*	*-1.3*	*0.5*	*0.8*	*0.5*	*0.5*
Adjusted for pandemic emergency and recovery measures (%)	*1.9*	*2.5*	*0.0*	*0.9*	*1.1*	*0.7*	*0.6*
Aggregate tax and social security contribution rate, net of tax credits	44.3	45.4	44.0	44.1	44.4	44.4	44.4
Aggregate tax and social security contribution rate adjusted for the price caps	**44.3**	**45.6**	**44.4**	**44.4**	**44.4**	**44.4**	**44.4**
Government debt	**112.9**	**111.8**	**109.7**	**109.7**	**109.6**	**109.1**	**108.1**
Real growth (%)	**6.4**	**2.5**	**1.0**	**1.4**	**1.7**	**1.7**	**1.8**
Potential growth (%)	**1.1**	**1.25**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**
Output gap (% points of potential GDP)	-2.1	-0.9	-1.2	-1.1	-0.8	-0.4	0.0

** As a % of potential GDP*

Scenario with no changes to legislation or practices

This trajectory for a return to compliance with public finance standards is to be compared to the fiscal trajectory if no changes are made to legislation and policies. Under such circumstances, the deficit would take much longer to correct and debt level would continue to increase (see Table 8).

The general government balance trajectory is presented here, with no changes to legislation and practices, in accordance with the Constitutional Bylaw no. 2001-692 on Budget Acts of 1 August 2001 (as amended by the Constitutional Bylaw no. 2021-1836 on modernising public finance management of 28 December 2021) and the 2011 Directive on requirements for budgetary frameworks. It is based on the outcomes of recent years in terms of the containment of public expenditure.

On the revenue side, the counterfactual trajectory includes only the effect of discretionary tax measures that have already been passed, such as the last step in cutting the residence tax on main residences or implementation of the contribution on infra-marginal revenue paid by electricity producers. The assumptions regarding the spontaneous growth rate of aggregate taxes and social security contributions are the same as those in in the Public Finance Planning Bill. In addition, there is no difference between projected non-tax revenue under the trajectory with no changes to policies and the projection in the Public Finance Planning Bill.

On the expenditure side, the counterfactual trajectory assumes that real expenditure growth would stand at 1.2%, per year, excluding the phasing out of emergency and recovery measures. This growth rate is the one observed between 2008 and 2022. It is significantly higher than the containment of public expenditure growth up until 2027 in the present Public Finance Planning Bill, with average real growth of 0.6%, excluding emergency and recovery measures, over the period from 2023 to 2027.

Under the scenario with no changes to policy set out in this section, the deficit would deepen every year in contrast to the trajectory in the Public Finance Planning Bill and still stand at about 4.5% of GDP in 2027. The debt ratio would decline slightly in 2023, when nominal GDP growth should be very strong. However, it would start to climb again in 2024 to reach 114.0% of GDP in 2027, which is close to the historic high reached in 2020.

Table 8: Scenario with no changes to legislation or practices						
As a % of GDP	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
General government balance with no changes to legislation or practices	-4.8	-5.6	-5.3	-5.0	-4.7	-4.5
General government debt with no changes to legislation or practices	111.8	110.4	111.3	112.5	113.4	114.0
Cumulative divergence of expenditure, excluding tax credits	0.0	0.7	0.9	1.0	1.2	1.6
Cumulative divergence from discretionary revenue measures announced	0.0	0.0	0.1	0.3	0.3	0.2
General government balance under the 2024 Budget Bill (Public Finance Planning Bill)	-4.8	-4.9	-4.4	-3.7	-3.2	-2.7
General government debt under the 2024 Budget Bill (Public Finance Planning Bill)	111.8	109.7	109.7	109.6	109.1	108.1

Appendix

Status of country-specific recommendations 2023

Measures taken since the National Reform Programme for 2023

Recommendation	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.	2023 Budget Act 2022-1726 of 30 December 2022 (energy price caps).	The cap on gas prices ended on 30 June 2023.	
		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 of between €100 and €200 was paid to 12 million low-income households. The scheme has not been extended.	
		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 one-off subsidies for households will be gradually phased out in 2024.
		Decree 2022-1407 of 5 November 2022 on the energy	Payment of a one-off fuel oil subsidy (€100 to €200) up to 30 April 2023.	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		subsidy for households heated by fuel oil.		
		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.		The grant for energy-intensive businesses, which provides support for companies whose gas and electricity bills account for a large proportion of their expenses, has been streamlined and extended until the end of 2023.
		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.		Commercial electricity bill reductions have been introduced until 31 December 2023. They will cover part of the electricity bills of VSEs that are 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 10 members of staff. It reduces the electricity bills of the scheme's beneficiaries by 50%: a proportion of between 40% and 60% is invoiced by the suppliers at the preferential Arenh rate while the other is subject to market prices.
		One-stop shop for help with paying energy bills.	A one-stop shop for help with paying energy bills for firms whose bills increased by at least 50% in 2022 was set up for 2023.	
	Should renewed energy price increases necessitate new or continued	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	In June 2023, the anti-inflation quarter was prolonged until the year-end and the range of products was extended.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
	support measures, ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable and preserve incentives for energy savings.		promoted to consumers at discounted prices.	
		Energy suppliers charter – Help with renegotiating energy contracts.	On 5 October 2022, 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.	
		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 employees of government-funded hospitals.	1.5-point increase in the civil service pay scale in July 2023. 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.	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		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.	The act extends the cap on the increase in the rent reference index (IRL) until 31 March 2024 for tenants in both the private and social housing sectors: at 3.5% in mainland France, 2.5% in Overseas France and an increase regulated by the Prefect for Corsica. The act also extends the 3.5% cap on the increase in the commercial rent index (ILC) until 31 March 2024 for SMEs (less than 250 employees).
		Increase in the back-to-school allowance.	The amounts of the means-tested back-to-school allowance were increased by 5.6% for the start of the 2023-2024 academic year compared to the bonus paid out in summer 2022. This year, the allowance is €398 for children aged between six and 10, €420 for those aged between 11 and 14, and €435 for teenagers aged between 15 and 18.	
		Increase in social benefits.	A certain number of social benefits for the lowest-income households and citizens were increased on 1 April 2023 to factor in inflation (+1.6% for the in-work benefit, the social inclusion benefit (RSA), family allowances, and the adult disability allowance).	
		Decree 2023-2 of 2 January 2023 on the introduction, conditions and methods for paying a fuel allowance.	In January 2023, the motor fuel rebate was replaced by a €100 fuel voucher, which could be requested until the end of March	An allowance of €100 for the lowest-income French citizens who need their vehicle to commute will be maintained in 2024.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			2023, and which targeted the lowest-income workers who commute using their vehicle.	
	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%.	2023 Initial Budget Act: arrangements for the annual spending review.	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. Twelve taskforces were launched during the first half of 2023 and focused on adapting taxation to the requirements of the green transition, the effectiveness of housing policy and the assessment of local investments.	The underlying primary structural adjustment to the 2024 Budget Bill is in line with the Council's recommendation for France. Moreover, the spending review process is set to become permanent which means that reviews will be conducted in 2024.
	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).	Rollout and update of the French National Recovery and Resilience Plan (NRRP) aiming to include a REPowerEU chapter (see below).	Ongoing rollout of the NRRP.
		Unit for the use of European funds.	In January 2023, a unit was set up in the Prime Minister's departments to maximise use of European funds by French operators.	
		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. As at 30 June 2023, the France 2030 Plan had earmarked €19.5bn out of the total budget of €54bn, contributing to funding over 2,400 projects for more than 2,700 recipient organisations. These investments support innovation in numerous industries of the future, including energy, digital sovereignty,	Ongoing rollout of the France 2030 Plan.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			aerospace, healthcare, agriculture, food, critical raw materials and culture.	
	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.	Public Finance Planning Bill 2023-2027.		The Public Finance Planning Bill is still before Parliament. It was scrutinised by the Finance Committee on 25 September 2023 and by the National Assembly on 27 September. It contains provisions for a spending review like the 2023 Budget Bill.
		2023 Supplementary Social Security Budget Act 2023-270 of 14 April 2023.	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 and the contribution period by an extra quarter per year. The age for automatic entitlement to a full pension is still 67. 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.	
		Decree 2023-33 of 26 January 2023 on the unemployment insurance system.	The contracyclical unemployment insurance reform is seeking to adjust the benefit period for jobseekers based on the economic situation (keeping a minimum six-month period). The period is shorter when	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			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, if they are still having difficulty finding work.	
		France 2030 Plan.	The France 2030 Plan is helping safeguard public investments for the future (see above).	
		National Recovery and Resilience Plan (NRRP).	See above.	
		Plan for combating tax evasion, social security and customs fraud (June 2023). National programme for controlling sick leave kick-started by the National Health Insurance Fund.	Stepping up audits as from 2023.	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
	Further improve framework conditions in order	2023 Budget Act 2022-1726 of 30 December 2022. 2024 Budget Act.	Finalisation of the reduction in corporation tax from 33.3% in 2017 to 25% in 2023.	The contribution on business value-added (CVAE) will be gradually reduced before being totally phased out in 2027.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
	to facilitate investment and innovation.	Green Industry Bill.		The bill contains a number of measures 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 bill is currently before Parliament.
		France 2030 Plan.	The France 2030 Plan funds investments in R&D and breakthrough innovations (small modular reactors, deep tech, clean tech, quantum technologies, etc.). See above.	
		Business Growth and Transformation Action Plan (PACTE) Act 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. 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. Publication of the implementing decrees and rollout of the two acts is ongoing. As an example, the one-stop shop for business procedures opened on 1 January 2023 as provided for by the PACTE Act.	Entry into force of all the provisions of the PACTE and ASAP Acts.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		Research Planning Act 2021-2030.	The new Planning Act improves funding for public research with an increase in the research budget of €1.2bn 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.	Between now and 2030, the annual research budget will stand at €20bn per year, i.e. €5bn more than in 2020. The National Research Agency (ANR) will receive additional funding of €1bn by 2027.
		Article 26 of the 2022 Supplementary Budget Act 2022-1157 of 16 August 2022.	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. Stakeholders have been consulted regarding the effective date of this requirement, as part of preparation of the 2024 Initial Budget Act.
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: the changeover to a low-carbon industry, inter alia, 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.	Continued rollout of the NRRP and submission of the third payment request.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			France's second payment request under the Recovery and Resilience Facility (*RRF*) for €10.3bn was submitted on 31 July 2023.	
CSR 2	Proceed with the swift implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	Cohesion Fund.	Approval of 22 ERDF-ESF+-JTF programmes in late 2022/early 2023 following the signing of a Partnership Agreement with the Commission in June 2022.	
		Prevent and detect dual funding between funds received in respect of the Recovery and Resilience Facility (*RRF*) and the Cohesion Fund.	Publication of RRF/Cohesion Fund guidance.	Updating the guidance in light of the NRRP's new REPowerEU chapter planned for autumn 2023. Building a joint RRF/Cohesion Fund tool for detecting dual funding by cross referencing lists of beneficiaries of cohesion programmes and the NRRP. The tool should be available at the end of 2023.
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.	Enhanced and more intensive support for recipients of the social inclusion benefit (a two-year pilot test is underway in 18 *départements*).	The Full Employment Bill, currently before the National Assembly, provides for the rebranding of *Pôle Emploi* employment agencies as *France Travail* to improve the effectiveness of the public employment service and achieve the government's full employment goal by 2027.
		Vocational school reform.	The vocational school reform is being implemented incrementally as of September 2023 and provides for vocational track students to receive compensation for internships and for funding for small-group reading, writing and maths instruction.	The vocational school reform ultimately seeks to better tailor vocational instruction to labour market needs. It will also increase the overall appeal of vocational education. Introduction of educational programmes "for jobs of the future" adapted to local needs.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			Vocational schools enrolled an additional 6,000 students in September 2023, including 1,050 students in 80 new educational programmes for jobs of the future in France's different regions. Creation of a business relations office in every vocational school.	
		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 2023 with minor or adult participants up to 29 years of age for the first year of the agreement. The number of people starting apprenticeships more than doubled between 2017 and 2022, with 830,000 new apprentices in 2022 compared to 305,000 in 2017.	Introduced in 2023, this new support scheme will be extended until 2027 to achieve the goal of one million new apprentices per year by 2027.
		"1 Young Person, 1 Solution" scheme.	Launched in summer 2020, the "1 Young Person, 1 Solution" scheme aims to offer a solution for every young person. It brings together a range of measures covering every situation, including hiring subsidies, educational programmes, support mechanisms, and financial assistance for disenfranchised young people. The government invested close to €10bn in the scheme over the 2020-2021 period. In the same vein, 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	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			with a disabled worker status) who are not pursuing higher education or receiving training and who are experiencing difficulty in finding permanent work.	
		University course offering reform.		The government will reform higher education, primarily at bachelor level, with an eye to preparing students for the skills of tomorrow and the jobs of the future (digital sector, green transition).
		Accreditation of prior learning (APL) reform.	The accreditation of prior learning (APL) system allows participants to earn a diploma, credential or professional qualification certificate (CQP) based on the knowledge and skills they have acquired both in and outside the workplace. The Act of 21 December 2022 on emergency measures relating to the functioning of the labour market, with a view to attaining full employment, created an APL public service which seeks to streamline, upgrade and secure career paths, including by providing support to participants. The goal is to make the APL system more accessible and increase its uptake.	The agreement establishing the public interest group responsible for the APL public service is currently being finalised, as is the decree that will implement the legislative reform of the APL at regulatory level. The target for 2027 is to achieve 100,000 APLs per year compared to 30,000 on average in 2022.
		Skills Investment Plan (PIC).	The €15bn Skills Investment Plan (PIC) has significantly increased the number of jobseekers involved in training programmes. Between 2017 and 2021, their cohort grew from 801,000 to 2,131,000.	
		Vocational training reform.	See above (APL reform, PIC, etc.).	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		Skills Shortage Action Plan.	Launched in October 2021, the Skills Shortage Action Plan has a budget of €1.4bn. The first phase primarily focused on expanding training opportunities (hiring bonus for certain jobseekers with a vocational training contract, rollout of work-based training schemes in relation with promises of future employment).	Launched in late 2022, the second phase of the plan is ongoing and is adopting a sector-specific approach so as to meet the needs of businesses more quickly.
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 the working conditions and initial and continuous training for teachers.	Improvement of teachers' working conditions. Pay increase for teachers: teachers will no longer start their career earning less than €2,100 per month as of September 2023.	Teachers will receive 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 Teacher's 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.
		Enhance teachers' skills.	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.	Under the French Plan in 2024, a national training course on writing has been planned and will be rolled out in all regions to a further 30% of teachers. 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.
		Introduce measures to improve core skills in reading, writing and maths.	Under the Maths Plan for high schools, all students who have not chosen the maths track will receive 1.5 hours of maths instruction per week. Maths was reintroduced in the common core curriculum for second-year students beginning in September 2023.	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			400 maths labs have been set up in middle schools and high schools. Starting in September 2023, year seven students in need of tutoring or specialised coursework in French or maths will receive an hour of such help per week.	
		Increase inclusivity at school and combat inequality.	In September 2023, middle schools in priority education areas (REP and REP+) started a test run of opening to students from 8am to 6pm. In addition, certain nursery schools are enrolling pupils as young as age two for interested parents. In priority education areas, 84% of classes in the last year of nursery school are being split. 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. “Help for Homework” is open to all year seven students as of September 2023 (almost 645,000 students, or 45%, at the present time). The back-to-school allowance was increased by 5.6% in April 2023. Over five million children aged 6 to 18 received an allowance of between €398 and €434.	100% of REP and REP+ middle schools will open for students from 8am to 6pm. School enrolment for children as young as age two will be expanded to 300 priority neighbourhoods by 2027. The splitting of classes in the last year of nursery school in priority education areas will be complete in 2024.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		Enhance career guidance for students.	A website (InserJeunes) has been set up and publishes data on the workforce participation and continuing education rates of vocational training graduates, to give incoming students better decision-making information. A website for university graduates (InserSup) will also be launched. As of September 2023, middle school students (ages 12 to 15) across France have the opportunity to participate in career discovery activities.	
		Support educational innovation.	Under the *Marseille en Grand* programme, in an effort to better address the needs of each school/educational institution, appropriations of €3m have been allocated for innovative educational projects put forward by schools. As of 2023, 82 schools, i.e. 17% of Marseille schools, are participating in the programme. Over the 2022-2027 period, the €500m Educational Innovation Fund (FIP) is helping support innovation and devise tomorrow's educational methods. The FIP has financially supported over 3,000 projects.	
		Better address the needs of disabled students.	Nearly 6,500 additional staff are being hired as of September 2023 to provide support to disabled students within the regular education system.	37 nursery school teaching units for autism (UEMA), 44 primary school teaching units for autism (UEEA) and 29 self-regulation programmes (DAR) will be in place by 2027.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			Local Units for Educational Inclusion (ULIS) are being rolled out as of September 2023, particularly at middle-school level.	
		Anti-bullying and cyberbullying plan.	Introduced in 2021, the anti-bullying programme (pHARe) was fully implemented at primary and middle schools as of September 2022. pHARe was expanded to high schools in September 2023. 100% of schools and other educational institutions have implemented this programme. 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 anti-bullying coordinator will be appointed for each middle school in order to lead an awareness-raising programme for educational staff and students. All national education staff will receive training in handling student bullying by 2027. A major anti-bullying plan will be devised in the next few months, with an audit planned for all school districts.
		Pass Culture.	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. As of 1 September 2023, year	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			seven and year eight students are also concerned. This means that all middle- and high-school students can now take part in these activities.	
CSR 4	Reduce overall reliance on fossil fuels.	Strengthen the incumbent nuclear industry.	The renationalisation of EDF has been finalised and will enable the government to invest in the nuclear power of the future.	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.
		Energy Saving Plan.	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. RTE has adapted the Ecowatt app which provides information on the times when eco-friendly actions are the most beneficial for the power grid and postpones certain uses to reduce pressure on supply. Similarly, on 20 October 2022, GRTgaz launched the new Ecogaz website to reduce gas consumption. Last winter, electricity consumption dropped 9% compared to the 2014-2019 average and this trend is continuing. For its part, gas consumption fell 16% between 1	Part 2 2023-2024 of the Energy Saving Plan, which was presented on 20 June 2023, aims to make energy saving initiatives durable 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.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			August 2022 and 30 July 2023 compared to the same period in 2018-2019.	
		France 2030 Plan.	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 breakthrough 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.
		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.	
		Bike and Walking Plan 2023-2027.	A total of 57,014km of secure cycle lanes had been laid out at the end of December 2022 (40,201 in December 2017), i.e. more than an additional 16,000km over President Macron's first term (+42%). Since 2019, the government has also been involved in nearly 1,000 projects dedicated to cycling facilities	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
			in 600 local areas, with subsidies totalling €365m.	
		Future Transport Plan (24 February 2023)	June 2023 launch of talks on planning contracts between the government and the regions. The mobility arm of the 2015-2020 contracts was extended until 31 December 2022 along with funding for local authorities. These contracts have been a resounding success with almost 96% of planned commitments having been met.	Supporting rail transport which will receive investments of €100bn up to 2040. The mobility arm of the planning contracts between the government and the regions for the 2023-2027 period will represent the first tangible component of the Future Transport Plan. The riders relating to this mobility arm will receive €8.6bn in government appropriations over five years, representing a 50% increase in annual funding compared to the planning contracts between the government and the regions for the 2015-2022 period. Making around 7,000km of minor rail lines sustainable. The government will help fund 13 projects for urban train lines in major cities (*RER métropolitains*). Continued reintroduction of night trains. The update of the financial and operational roadmap for government investments in transport in the coming years, as provided for by Mobility Reform Act 2019-1428 of 24 December 2019, is currently being finalised with respect to both the conduit for this update and its content. The roadmap should use the ecological planning scenario as a benchmark.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		Step up access to electric cars.		A rent-to-buy scheme will be introduced to enable the lowest-income households to purchase an electric vehicle for around €100 per month.
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 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 France Green Nation action plan is rallying all public and private stakeholders around several priorities. The future French Energy and Climate Strategy (SFEC) will be France's updated roadmap for cutting greenhouse gas (GHG) emissions, achieving climate neutrality in 2050 and guaranteeing climate change adaptation. It will comprise four planning documents: • The first Energy and Climate Planning Act (LPEC) • The third National Low-Carbon Strategy (SNBC3) • The third National Plan for Adaptation to Climate Change (PNACC3) • The third Multiyear Energy Plan (PPE3) Green Industry Bill: see above.
		Renewable Energy Fast-Tracking Act 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 low-carbon energy sources.	

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		National Strategy for the Development of Decarbonised Hydrogen.		France's Hydrogen Plan (€9bn) is funding a fast-tracking strategy devoted to decarbonised hydrogen so as to make France a front-runner in this energy of the future. One of the goals is to step up production of "green hydrogen" by electrolysis, a technology that is central to the transition to a low-carbon industry. France has set itself the objective of having at least four gigafactories to produce electrolysers on its soil as well as all the technologies required to use hydrogen.
		Heat Sources Fund.	The Heat Sources Fund of the Environment and Energy Management Agency (ADEME), which is destined for businesses, local authorities and collective housing, funds the generation of renewable heat and its recovery, as well as the development of heat networks.	For 2024, the fund's appropriations have been increased by €300m to €800m.
		Phase out coal in electricity generation.		Conversion of the last two coal-fired power stations to biomass facilities by 2027.
CSR 4	Further upgrade electricity transmission and distribution grids and increase cross-border electricity interconnections.	Investments in electricity transmission and distribution grids. 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.	Projections for investments in the public electricity transmission grid are around €2.1bn per year on average for the 2021-2024 period. For the 2021-2024 period, Enedis, the electricity distribution grid's manager for 95% of mainland France, plans investment expenditure of around €3.9bn per year.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
				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. At the same time, several projects are on the drawing board for interconnections with Spain ("*Transpyrenean* 1" and "*Transpyrenean* 2") and Belgium (Lonny-Gramme).
	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.	As at 31 December 2022, 1,249,742 households (cumulative figure) had 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.	For 2024, almost €5bn has been earmarked to help French citizens renovate their homes, an increase of €1.6bn. The funding boost will bolster the scale-up of high-performance retrofitting aided and supported by the MaPrimeRénov' scheme, with a target of 200,000 retrofitting projects as from 2024. Starting on 1 January 2024, the MaPrimeRénov' scheme will again change to make it more understandable and will be organised in two components: the aim of the "performance" component will be to mainstream comprehensive high-performance retrofitting, in particular for "thermal sieves" with fully-reimbursed mandatory support for the lowest-income households. The "efficiency" component will focus on decarbonising heating systems and plugging "thermal sieves". The MaPrimeRénov' scheme will also be extended to cover social housing.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		Circular of 14 December 2022 on the rollout of the fund for fast-tracking the green transition in the regions (Green Fund).	With appropriations of €2.5bn devolved to the Prefects, the Green Fund is intended to finance projects submitted by local authorities and their public- or private-sector partners in three areas: environmental performance, adaptation of regions to climate change and quality of life improvements.	
		Instruction of 18 November 2020 on support for the energy retrofitting of local authorities' buildings. Instruction of 11 December 2020 on the regional investment grant.		Continued investment in the energy retrofitting of government buildings, especially in the higher education and research sectors, but also for local authorities. For this retrofitting, the additional resources allocated will increase by €550m in 2024.
		Decree 2022-1675 of 27 December 2022 on interest-free loans granted to fund first home ownership.		The Interest-Free Loan (*Prêt à Taux Zéro*) programme has been extended until 2027 for new collective housing in areas with a housing shortage and for older properties in areas with low housing pressure.
	Build a supporting regulatory environment to increase investment in clean-tech manufacturing, including by simplifying and speeding up permitting.	Green Industry Bill.		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.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
				For large-scale national interest industrial projects, a special procedure has been introduced: ensuring the 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	See above. The act streamlines authorisation procedures for renewable energy projects. It also enables land that has already been artificialised to be used to develop renewable energy.	
CSR 4	Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	"Training" arm of the France 2030 Plan.	The plan backs the emergence of talent and speeds up the adaptation of training to skill requirements in new and future sectors. It is earmarking €2.5bn to achieve this objective. As an example, the first round of the "Skills and Jobs of the Future" call for expressions of interest has funding of €700m in this respect.	
		Career guidance reform.		See above.
		Vocational training reform.		See above.

Recommendation	Sub-recommendation	Measures	Done	In progress/pending
		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 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.	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. 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.

Detailed forecast tables

Table 1. Resources and uses of goods and services - Nominal gross domestic product and components

	2022		2023	2024
NOMINAL GROSS DOMESTIC PRODUCT (GDP) – level in € billions	**2 639**		**2 818**	**2 931**
	Nominal	Volume		
	Level (€bn)	Percent change	Percent change	Percent change
RESOURCES				
Real gross domestic product	2 639	2.5	1.0	1.4
Imports	1 018	8.8	0.3	3.1
TOTAL RESOURCES	**3 657**	**4.0**	**0.8**	**1.9**
USES				
Private consumption expenditure	1 409	2.2	-0.1	1.8
Government consumption expenditure	634	2.6	0.7	1.4
Gross fixed capital formation (GFCF)	665	2.3	1.6	0.3
- of which Non-financial corporations	372	3.8	3.2	0.9
- of which Households exluding self-employed	159	-1.2	-5.0	-2.2
- of which General Government	98	1.5	5.7	1.3
Exports	915	7.4	2.1	3.5
Changes in inventories and net acquisitions of valuables	34			
TOTAL USES	**3 657**	**4.0**	**0.8**	**1.8**
Contributions to real GDP growth				
Final domestic demand excluding inventories		2.4	0.5	1.3
Changes in inventories and net acquisitions of valuables		0.8	-0.1	0.0
Net foreign trade		-0.6	0.6	0.1

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

	2022	2023	2024
	Percent change	Percent change	Percent change
RESOURCES			
Gross domestic product	3.0	5.7	2.5
Imports	17.1	-3.3	0.4
TOTAL RESOURCES	**6.5**	**3.2**	**2.0**
USES			
Private consumption expenditure	4.8	6.1	2.7
Government consumption expenditure	1.2	2.7	2.5
Gross fixed capital formation	6.2	4.7	2.4
Exports	13.5	-1.3	0.3
TOTAL USES	**6.5**	**3.2**	**2.0**
OTHER PRICE INDICES			
Consumer Price Index (CPI)	5.2	4.9	2.6
Consumer Price Index excluding tobacco	5.3	4.8	2.5
Harmonised Index of Consumer Prices (HCIP)	5.9	5.7	2.7

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

	2022	2023	2024
	% of GDP	% of GDP	% of GDP
NET LENDING (+) / BORROWING (-) vis-à-vis the rest of the world	**-3.7**	**-1.9**	**-1.6**
Of which:			
- Balance of goods and services	-3.9	-2.3	-2.1
- Balance of primary incomes and transfers	-0.1	0.1	0.2
- Capital account	0.3	0.3	0.3
NET LENDING (+) / BORROWING (-) of the private sector	**1.1**	**3.0**	**2.8**
Of which:			
- Households	3.8	5.2	5.1
- Non-financial corporations	-1.8	-0.7	-0.7
NET LENDING (+) / BORROWING (-) OF GENERAL GOVERNMENT*	**-4.8**	**-4.9**	**-4.4**

(*) According to the Maastricht definition.

Table 4. French external trade

	2022	2023	2024
	Level in €bn	Level in €bn	Level in €bn
TOTAL GROSS TRADE BALANCE CIF-FOB	**-185**	**-127**	**-118**
Of Which:			
- manufacturing of food products	5	0	0
- energy	-116	-70	-70
- industry	-78	-63	-52
Total trade balance FOB-FOB – level	**-163**	**-105**	**-95**
Total trade balance FOB-FOB – % of GDP	**-6.2**	**-3.7**	**-3.2**

Table 5. Non-financial corporations – Detailed figures

	2022		2023	2024
	Level in €bn	Percent change	Percent change	Percent change
GROSS VALUE ADDED	**1 390**	**8.2**	**8.3**	**3.5**
Compensation of employees	910	9.0	6.3	3.6
Ratio: compensation of employees / Gross Value Added – level in %		65.4	64.2	64.3
Taxes on production	73	12.9	7.1	0.3
Subsidies on production	-33	-35.7	-10.9	2.4
Gross operating surplus (GOS)	441	0.9	11.3	3.7
Margin ratio of non-financial corporations (Gross operating surplus / Gross Value Added) – level in %		31.7	32.6	32.7
Property income paid	300	9.4	26.1	7.5
Property income received	242	9.7	31.3	8.3
Taxes on income and wealth	64	21.3	3.4	14.8
GROSS SAVINGS	**309**	**-3.9**	**14.0**	**1.7**
Savings ratio (Gross Savings / Gross Value Added) – level in %		22.2	23.4	23.0
Gross fixed capital formation (GFCF)	360	9.1	7.1	3.4
Self-financing ratio (Savings / GFCF) – level in %		85.9	91.4	89.9
Investment ratio (GFCF / Gross Value Added) – level in %		25.9	25.6	25.6
Changes in inventories (1)		28.9	24.0	23.4
NET LENDING (+) / BORROWING (-) –level, % of Gross Value Added		**-3.5**	**-1.3**	**-1.4**

(1) Changes in inventories – level in billions

Table 6. Households – Income Statement

	2022		2023	2024
	Level in €bn	Percent change	Percent change	Percent change
RESOURCES				
Wages and salaries	1061	8.3	6.4	3.4
- Employees' social contributions	129	6.1	5.7	3.6
Wages and salaries (net of employee social contributions)	933	8.6	6.5	3.4
Mixed income (mainly self-employed)	136	3.3	3.2	1.6
Gross operating surplus (excluding self-employed)	208	4.4	12.7	2.7
Social benefits in cash	563	0.4	4.3	4.8
Property income received	129	19.2	42.4	12.6
Other resources	75	4.6	6.8	4.0
USES				
Social contributions by self-employed and non-employed persons	35	12.2	2.7	4.5
Current taxes on income and wealth	268	7.9	3.6	4.1
Property income paid (paid interests)	21	57.9	163.9	18.0
Other uses	82	4.6	6.8	4.0
Gross disposable income (GDI)	**1 638**	**5.1**	**7.6**	**4.0**

Table 7. Households – From disposable income to net lending

	2022		2023	2024
	Level in €bn	Percent change	Percent change	Percent change
GROSS DISPOSABLE INCOME (GDI)	**1 638**	**5.1**	**7.6**	**4.0**
Purchasing power of GDI		0.2	1.3	1.3
Final consumption expenditure	1 352	7.1	6.1	4.5
GROSS SAVINGS	**286**	**-3.5**	**14.9**	**1.4**
GLOBAL SAVINGS RATIO (Gross savings/ GDI) –level		**17.4**	**18.6**	**18.2**
Gross fixed capital formation (GFCF)	171	7.0	1.0	0.2
Other net uses	14	-4.0	-40.9	10.1
NET LENDING (€ billions)	**101**	**-21.1**	**46.5**	**3.5**
SAVINGS RATIO (Net lending / GDI) – level		**6.1**	**8.4**	**8.2**

Table 8. International Environment – Base assumptions

	2022	2023	2024
ECB key interest rate (refinancing, annual average)	0.6	3.8	3.9
10-year sovereign bond rate for France (annual average)	1.7	3.1	3.5
USD/EUR exchange rate (annual average)	1.05	1.09	1.09
Nominal effective exchange rate of the French economy	-2.7	4.0	1.3
World GDP growth (excluding EU)	3.5	3.0	3.0
Growth of relevant foreign markets	5.5	-0.5	3.0
Growth of world imports (excluding EU)	3.2	1.1	4.2
Oil prices (Brent. USD / barrel)	101	82	86

Table 9. International Environment – GDP growth forecasts

	2022		2023	2024
	Level * (USD bn)	Percent change	Percent change	Percent change
France		2.5	1.0	1.4
United Kingdom	3 071	4.1	0.5	0.8
European Union (27 countries)	16 641	3.6	1.0	1.6
Euro area	14 041	3.4	0.9	1.3
Euro area excluding France	11 258	3.6	0.8	1.3
United States	25 463	2.1	2.1	0.8
Japan	4 231	1.0	2.3	1.2

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

Table 10. International Environnement – Consumer prices

	2022	2023	2024
France (consumer price index)	5.2	4.9	2.6
United Kingdom	9.1	7.6	3.3
Euro area	8.4	5.4	2.9
United States	8.0	4.1	2.7
Japan	2.5	3.1	1.6

Table 11. Labour market

	2022		2023	2024
	Level	Percent change	Percent change	Percent change
Employment (persons) – Total economy [1] – Annual average	**30 067**	**2.6**	**1.1**	**0.5**
Employment (persons), France (mainland) *All sectors – Annual average[2] – thousands of persons*	30 125	780	330	155
Employment (persons) – France (mainland) *Non-farm market sector – Annual average[2]*	18 072	3.3	1.3	0.5
Employment (persons) – France (mainland), *Non-farm market sector – YoY [2] – thousands of persons*	18 218	325	125	135
Compensation of employees – Total economy	**1 382**	**7.6**	**6.0**	**3.5**
Wages and salaries per employee – Non-farm market sector		5.6	5.3	3.1
Labour productivity – Total economy[3]		**-0.1**	**-0.1**	**0.9**

(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

	2022	2023	2024
	Percent change	Percent change	Percent change
Observed GDP growth	**2.5**	**1.0**	**1.4**
Potential GDP growth	**1.25**	**1.35**	**1.35**
Contributions:			
- labour	0.3 / 0.4	0.3 / 0.4	0.3 / 0.4
- capital	0.5 / 0.6	0.5 / 0.6	0.5 / 0.6
- total factor productivity (TFP)	0.3 / 0.4	0.4 / 0.5	0.4 / 0.5
Output gap (% of potential GDP)	**-0.9**	**-1.2**	**-1.1**

Table 13. General government budgetary targets broken down by subsector

	ESA Code	2022	2023	2024
		% of GDP	% of GDP	% of GDP
1. General government	S.13	-4,8	-4,9	-4,4
2. Central government	S.1311	-5,2	-5,4	-4,7
3. State government	S.1312			
4. Local government	S.1313	0,0	-0,3	-0,3
5. Social security funds	S.1314	0,4	0,7	0,6
6. Interest expenditure	EDP D.41	1,9	1,7	1,9
7. Primary balance (1 + 6)		-2,9	-3,3	-2,4
8. One-off and temporary measures *		-0,1	-0,1	-0,1
9. Real GDP growth (%)		2,5	1,0	1,4
10. Potential GDP growth in real terms (%)		1,25	1,35	1,35
11. Output gap (as a % of potential GDP)		-0,9	-1,2	-1,1
12. Cyclical budgetary component		-0,5	-0,7	-0,6
13. Cyclically- adjusted balance (1 - 12)		-4,3	-4,2	-3,7
14. Cyclically-adjusted primary balance (13 + 6)		-2,4	-2,6	-1,8
15. Structural balance (13 - 8) (% of potential GDP)		-4,2	-4,1	-3,7

** A positive sign corresponds to exceptional measures reducing the deficit*

Table 14. General government debt developments

	ESA Code	2022	2023	2024
		% of GDP	% of GDP	% of GDP
1. Gross debt		111,8	109,7	109,7
2. Change in gross debt ratio		-1,1	-2,1	0,1
Contributions to changes in gross debt ratio				
3. Primary balance		-2,9	-3,3	-2,4
4. Interest expenditure	D.41	1,9	1,7	1,9
5. Stock-flow adjustment		0,0	0,1	-0,1
Memo: Implicit interest rate on debt (%)		1,7	1,5	1,8
Debt ratio, excluding support to the euro area		109,3	107,4	107,6

Table 15A. Contingent liabilities				
	ESA Code	2022	2023	2024
		% of GDP	% of GDP	% of GDP
Public guarantees		11,4		

Table 15 B. GUARANTEE MEASURES TO ADDRESS THE COVID-19 PANDEMIC			
% of 2021 GDP	**Adoption date**	**Maximum amount of guarantee**	**Amount of guarantee provided**
Exceptional State-guarantee mechanism for loans to companies	2020	10,6	2,8
Introduction of reinsurance for short-term export credits	2020	0,2	0,0
SURE	2020	0,2	0,2
EGF (EIB)	2020	0,2	0,1
Total guarantee measures		11,1	3,1

Table 16. Structural effort broken down by subsector			
Central government			
	2022	**2023**	**2024**
Balance	**-5,2**	**-5,4**	**-4,7**
Structural balance (as a % of potential GDP)	**-4,9**	**-4,9**	**-4,3**
Structural adjustment	**0,2**	**-0,1**	**0,6**
of which, structural effort	***-0,5***	***0,9***	**0,4**
*of which neutral operations on the general government balance**	***0,1***	***0,1***	**0,1**
Local government			
	2022	**2023**	**2024**
Balance	**0,0**	**-0,3**	**-0,3**
Structural balance (as a % of potential GDP)	**0,1**	**-0,2**	**-0,2**
Structural adjustment	**0,0**	**-0,3**	**0,0**
of which, structural effort	***-0,1***	***0,2***	**0,1**
*of which neutral operations on the general government balance**	***0,0***	***-0,1***	**0,0**
Social security funds			
	2022	**2023**	**2024**
Balance	**0,4**	**0,7**	**0,6**
Structural balance (as a % of potential GDP)	**0,6**	**1,0**	**0,8**
Structural adjustment	**0,8**	**0,4**	**-0,2**
of which, structural effort	***0,3***	***0,7***	***0,0***
*of which neutral operations on the general government balance**	***-0,1***	***0,1***	***0,0***

**Restatements and transfers between subsectors*

Table 17. Structural adjustment and structural effort breakdown

	2022	2023	2024
General government net lending (% of GDP)	**-4,8**	**-4,9**	**-4,4**
Cyclical balance	**-0,5**	**-0,7**	**-0,6**
One-off and temporary measures (as a % of potential GDP)	**-0,1**	**-0,1**	**-0,1**
Structural balance (as a % of potential GDP)	**-4,2**	**-4,1**	**-3,7**
Structural adjustment	**1,0**	**0,1**	**0,5**
of which, structural effort	**-0,4**	**1,7**	**0,5**
new revenue measures (net of tax credits) and excluding one-off and temporary measures	***-0,4***	***-0,3***	***0,0***
expenditure effort	***0,0***	***2,1***	***0,5***
of which, non-discretionary component	**1,4**	-1,7	0,0
revenue excluding aggregate taxes and social security contributions	***0,0***	***-0,5***	***-0,1***
effect of tax elasticity	***1,3***	***-1,1***	***0,1***

Table 18. General government expenditure and revenue projections in ESA 2010 with no policy change broken down by main components

General government (S.13)	ESA Code	2022	2023	2024
		% of GDP	% of GDP	% of GDP
1. Total revenue (gross of tax credits)		**53,5**	**51,5**	**51,5**
Of which				
1.1. Taxes and duties on production	D.2	16,7	16,0	15,8
1.2. Current taxes on income, wealth, etc.	D.5	13,5	13,0	13,2
1.3. Capital taxes	D.91	0,7	0,7	0,7
1.4. Social contributions	D.61	16,9	16,6	16,6
1.5. Property income	D.4	0,6	0,6	0,5
1.6. Other		5,1	4,6	4,6
Memo: Aggregate taxes and social security contributions (excluding EU)*		45,1	43,8	43,9
2. Total expenditure (including tax credits)		**58,3**	**57,2**	**56,8**
Of which				
2.1. Compensation of employees	D.1	12,4	12,4	12,4
2.2. Intermediate consumption	P.2	5,2	5,1	5,2
2.3. Social payments	D.62, D.63	25,8	25,3	25,5
of which unemployment benefits		1,3	1,3	1,2
2.4. Interest expenditure	D.41	1,9	1,7	1,9
2.5. Subsidies	D.3	3,1	2,7	2,1
2.6. Gross fixed capital formation (GFCF)	P.51	3,7	4,0	4,0
2.7. Capital transfers	D.9	1,6	1,7	1,6
2.8 Other		4,5	4,3	4,0

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 19. General government expenditure and revenue targets

General government (S.13)	ESA Code	2022 % of GDP	2023 % of GDP	2024 % of GDP
1. Total revenue (gross of tax credits)		**53,5**	**51,5**	**51,6**
Of which				
1.1. Taxes and duties on production	D.2	16,7	16,0	15,9
1.2. Current taxes on income, wealth, etc.	D.5	13,5	13,0	13,3
1.3. Capital taxes	D.91	0,7	0,7	0,7
1.4. Social contributions	D.61	16,9	16,6	16,6
1.5. Property income	D.4	0,6	0,6	0,5
1.6. Other		5,1	4,6	4,6
Memo: Aggregate taxes and social security contributions (excluding EU)*		45,1	43,8	43,9
2. Total expenditure (including tax credits)		**58,3**	**56,5**	**55,9**
Of which				
2.1. Compensation of employees	D.1	12,4	12,3	12,2
2.2 Intermediate consumption	P.2	5,2	5,1	5,1
2.3. Social payments	D.62, D.63	25,8	25,0	25,1
of which unemployment benefits		1,3	1,2	1,2
2.4. Interest expenditure	D.41	1,9	1,7	1,9
2.5. Subsidies	D.3	3,1	2,7	2,1
2.6. Gross fixed capital formation (GFCF)	P.51	3,7	3,9	3,9
2.7. Capital transfers	D.9	1,6	1,7	1,6
2.8 Other		4,5	4,2	4,0

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 20. Calculation of the aggregate of the expenditure benchmark

	2022 level in €bn	2022 % of GDP	2023 % of GDP	2024 % of GDP
1. Total expenditure (including tax credits)	**1538,9**	**58,3**	**56,5**	**55,9**
2. One-off and temporary expenditure measures	1,7	0,1	0,1	0,1
3. Interest expenditure	50,7	1,9	1,7	1,9
4. Expenditure on EU programmes fully matched by EU funds revenue	11,1	0,4	0,2	0,1
5. Current investment expenditure	98,4	3,7	3,9	3,9
6. Investment expenditure smoothed over 4 years	90,6	3,4	3,4	3,5
7. Cyclical unemployment benefit expenditure	1,0	0,0	0,0	0,0
8. Aggregate expenditure benchmark (=1-2-3-4-[5-6]-7)	**1466,6**	**55,6**	**53,9**	**53,4**
9. Effect of discretionary revenue measures (gross of tax credits and excluding one-off and temporary measures)	-10,9	-0,4	-0,3	0,0
10. Revenue increases mandated by law	0,0	0,0	0,0	0,0
11. Net aggregate expenditure benchmark (= 8-9-10)	**1477,5**	**56,0**	**54,2**	**53,4**

NB: The preventive arm of the Stability and Growth Pact provides that the real growth in general government expenditure, net of new revenue measures, should, depending on the country's position with regard to its Medium-Term Budgetary Objectives (MTOs), "not exceed a benchmark rate [or a lower rate for countries that have not achieved their MTOs] for potential medium-term GDP growth, unless this is matched by discretionary revenue measures" (Council Regulation (EC) No 1466/97, amended). This rule, which is part of an overall assessment using the structural balance as a benchmark, allows for focus on the components that can be steered directly by lawmakers within the structural adjustment. The field examined is general government expenditure, excluding interest and cyclical unemployment benefit expenditure, and net of new revenue measures.

Table 21. General government expenditure by function (% GDP)*			
	COFOG Code	2020 % of GFP	2021 % of GFP
1. General public services	**1**	5,8	5,8
2. Defence	**2**	1,9	1,8
3. Public order and safety	**3**	1,8	1,7
4. Economic affairs	**4**	6,9	6,9
5. Environmental protection	**5**	1,0	1,0
6. Housing and community amenities	**6**	1,2	1,3
7. Health	**7**	8,9	9,2
8. Recreation, culture and religion	**8**	1,4	1,4
9. Education	**9**	5,4	5,2
10. Social protection	**10**	27,2	24,8
Total expenditure	**TE**	61,5	59,0

** Eurostat, latest available COFOG data*

Table 22. Divergence from latest Stability programme				
	ESA Code	2022	2023	2024
		% GDP	% GDP	% GDP
Target general government net borrowing				
Stability Programme		-4,7	-4,9	-4,4
Draft Budgetary Plan	B.9	-4,8	-4,9	-4,4
Difference		-0,1	0,0	0,0
General government net lending projection at unchanged policies *				
Stability Programme		-4,7	-5,4	-5,4
Draft Budgetary Plan	B.9	-4,8	-5,6	-5,3
Difference		-0,1	-0,2	+0,1

**Since May 2023*