



DRAFT BUDGETARY PLAN FOR

2017

# **ECONOMIC, SOCIAL AND FINANCIAL REPORT**

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**EXTRACT**



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## **France's economic policy strategy**



## Introduction

**Since 2012, the government's economic policy objective has been to achieve a sustainable recovery for France's economy.** In the previous decade, and more specifically after the 2008 economic and financial crisis, followed by the sovereign debt crisis in Europe, France's government debt soared. Its economy became less competitive, leading to a loss of market share for French companies requiring them to cut their margins, and unemployment surged, especially youth unemployment. Since 2012, the government has implemented a strategy to meet these challenges that is built on five pillars: (i) fiscal consolidation that is compatible with economic recovery, (ii) boosting the competitiveness of French companies, (iii) modernising the business environment to stimulate investment and productivity, (iv) improving the functioning of the labour market to lower unemployment and (v) resolute action for social justice and inclusion.

**This strategy, which relies on structural reforms, will take time to have its full impact on economic activity and employment. However, the results have already been very positive.** Efforts to contain expenditure have produced a large reduction in the public deficit, which stood at 3.5% of GDP in 2015, despite unfavourable economic conditions. It will be lowered to 3.3% of GDP in 2016, before dipping below the 3% mark in 2017, when it will stand at 2.7% of GDP. Fiscal consolidation has been backed by a gradual return to growth, which reached 1.3% in 2015, following 0.6% in 2014. Growth is expected to reach 1.5% in 2016 and again in 2017, driven by brisk consumption and a recovery in investment. This improvement has come with a stabilisation of export market shares, following a decade of losses, and an improvement in competitiveness achieved through larger corporate margins. Some of the improvement can be attributed to measures to cut labour costs and corporate taxes. Then, more than 155,000 new jobs were created in non-farm market sectors, between the first quarter of 2015 and the second quarter of 2016 (the highest figure since 2007).

This caused the unemployment rate to dip below the 10% mark.

**France's economic recovery has been achieved in compliance with social justice imperatives since the measures introduced have greatly strengthened the redistributive power of France's social and tax system.** All of the tax and social security measures introduced since 2012 have raised the living standards of households in the six lowest income deciles, with a particularly large impact on the households with the lowest incomes. Households with the highest incomes have been asked to contribute more to achieve fiscal consolidation, but the impact on their overall standard of living has been moderate. There have also been many measures to promote inclusion and fight poverty.

**However, along with the signs of improvement, there are persistent uncertainties and risk factors.** On the one hand, the rate of growth remains moderate and unemployment has not fallen as much as expected, particularly for young people. The impact of reform on the number of jobs created is bound to gather strength over time. On the other hand, international geopolitical tensions constitute a permanent threat and are bound to increase uncertainty and the volatility of exchange rates and commodity prices and, consequently, hamper global growth. In Europe, the European Union is coping with the exit of the United Kingdom. It is still difficult to measure the medium-term economic effects of this event. In France, terrorism is likely to affect business confidence, but its impact on growth should continue to be minor.

**Consequently, it is still critical to further the implementation of the measures introduced since 2012 and complete the action taken in recent years with further measures.** At the same time, the government plans to defend its economic and social vision, both within Europe, to promote a Europe that is closer to its citizens, and in discussions and negotiations within other international bodies.

## I. Complying with our European commitments regarding fiscal consolidation without compromising growth

### a) Starting from a low point

France's deficit was already large, standing at 3.2% of GDP in 2008 when the crisis struck. It then rose to 7.2% of GDP in 2009, raising Maastricht debt to 79.0% of the GDP that year. In 2011, the situation was still very unfavourable, with the deficit standing at 5.1% of GDP and government debt at 85.2%. The challenge facing the Government was to achieve fiscal consolidation at a pace that was compatible with a resumption of growth.

### b) A sustainable fiscal consolidation strategy in compliance with social justice imperatives

The government has implemented a fiscal consolidation strategy that relies on a temporary tax hike and a gradual but lasting decrease in public expenditure. This strategy was adopted right at the beginning of the President's term with the primary aims of (i) coping with the urgent need for consolidation in 2012, (ii) while providing maximum protection for households with the lowest incomes by having households with the highest incomes contribute more and (iii) avoiding the harmful impact on short-term growth of a sudden cut in public expenditure. At the same time, the government undertook long-term efforts to reduce expenditure, making it possible to consider gradual tax cuts.

The spending cuts were made using an approach built on three pillars:

- **Lasting containment of expenditure across all general government sectors**, with follow-up measures to offset the impact of weaker-than-expected inflation on public finances. The nominal growth rate of public expenditure was at an historic low of 0.8% in 2015, following growth of 1.0% in 2014 and compared to an average growth rate of 3.2% between 2007 and 2012;
- A policy aimed at **analysing the quality of expenditure** with spending reviews and government policy assessments;

- **Far-reaching structural reforms** affecting public finances, such as the 2014 pension reform, the 2015 reform of supplementary pension schemes and local government reform.

**This resolute action is continuing in 2016 and will carry on in 2017.** The deficit should fall to 3.3% of GDP in 2016, before hitting the target of 2.7% for 2017 as reaffirmed by the government. The additional expenditure measures introduced after the April 2016 Stability Programme were decided during the public finance policy debate to finance the government's priorities relating to education, jobs and security. An additional series of measures, aimed at adjusting the Responsibility Pact and cutting taxes for the middle classes, were decided upon during the third quarter. These measures are fully financed and do not compromise the deficit reduction target set out in the Stability Programme. The improvement in the budget balance is expected to be driven by structural adjustment of 0.3 percentage points of GDP in 2016, followed by 0.5 points in 2017. This pace of fiscal consolidation is compatible with economic recovery. Government debt is expected to stabilise in 2016 to stand at 96.0% of GDP in 2017.

### c) Results: a smaller-than-expected deficit in 2015, fulfilment of our European commitments and great credibility with investors

**This fiscal consolidation policy has led to a major reduction in the deficit**, despite a macroeconomic climate that was unfavourable for public finances on the whole, particularly in 2012 as a result of the euro area crisis. The Maastricht deficit stood at 4.8% of GDP in 2012. It was cut to 3.5% of GDP in 2015. This result is in line with the March 2015 recommendation of the Council of the European Union. Meanwhile, the structural deficit has been reduced to its lowest level since 2000. It was cut nearly in half between 2012 and 2015, from 3.5% of GDP in 2012 to 1.9% in 2015.

**At the same time, containment of expenditure went hand in hand with a fall in the aggregate tax and social security contribution rate for the first time since 2009.** The



aggregate rate, excluding tax credits, stood at 44.7% in 2015, following 44.8% in 2014.

**Keeping the reduction of its deficit on track has lent France a high degree of credibility.**

Investors' confidence in France's creditworthiness can be seen in the extremely favourable financing terms that the government has enjoyed since early 2016. The weighted average yield on medium- and long-term government debt securities stood at 0.40% as of 1 September 2016, as compared to 0.63% for 2015 as a whole.

**II. Implementing a comprehensive strategy to deal with the impact of the crisis on cost competitiveness**

**a) Cost competitiveness declined after the 2008 crisis**

**After the 2008 crisis, French companies' cost competitiveness continued to decline.** Non-financial corporations' margin rates shrank by some 3 percentage points after 2007, dipping below 30%.

**b) A comprehensive response**

**The government's approach to the challenge of cost competitiveness covers multiple aspects, dealing with all of its components.**

It consists of reducing the different cost components of factors of production (labour, capital and intermediate inputs). The purpose of the Competitiveness and Employment Tax Credit (CICE) and the Responsibility and Solidarity Pact is to reduce the cost of labour. Similarly, the introduction of a temporary hiring bonus for companies with fewer than 250 employees that offer open-ended or fixed-term contracts of more than 6 months is aimed at stimulating hiring as the job market recovers. Along with these schemes, targeted measures reducing the cost of capital were implemented: the elimination of the exceptional corporate income tax payment for large corporations and the social solidarity contribution (a tax on turnover) for most companies, as well as measures to promote access to financing, especially for troubled companies. In addition, measures under the Growth, Economic Activity and Equal Economic Opportunity Act have

reduced input costs, particularly the cost of business services. This approach has been combined with other measures to improve the functioning of the labour market and the capacity of businesses to adapt to economic changes. All in all, a coherent strategy has been implemented to meet the competitiveness challenge.

**c) The results are already being felt across the whole economy and they will continue past 2017**

The results are already being felt:

- **The cost of labour has been contained.** Between the fourth quarter of 2012 and the first quarter of 2016, the cost of labour in France increased less than the euro area average, both in industry, construction and services (a 3.5% rise in France versus a 4.7% rise in the euro area) and in industry excluding construction (a 4.2% rise in France versus a 5.8% rise in the euro area);
- After falling to a low point in 2013 (29.9% of value added), **the margin rate of non-financial corporations** recovered sharply to stand at 31.4% in 2015. The margin rate should post a further large increase to 32.0% in 2016 and then stabilise in 2017;
- France's **market shares** have been stable since 2013, following more than a decade of steady losses, and its **current account balance** was close to equilibrium in 2015.

**All of the measures adopted will continue to produce results past 2017.**

**III. Boosting productivity and growth by modernising the business environment and stimulating investment and innovation**

**a) France's productivity gains and growth slowed after the 2008 crisis, as they did across Europe**

Productivity is the main driver of France's long-term growth, but productivity gains slowed, as they did in all advanced economies.

Therefore, promoting productivity gains is a critical means of boosting the French economy's growth potential.

### ***b) A comprehensive strategy***

**The government's strategy to unleash growth potential is a set of complementary policies that have a positive impact in the long term.**

#### **- Modernising the business environment**

The Growth, Economic Activity and Equal Economic Opportunity Act of 6 August 2015 modernised certain markets (transport, retail trade, regulated professions) by lifting barriers to entry to facilitate the emergence of new players.

#### **- Supporting investment and innovation**

Support for investment takes the form of financing instruments designed to overcome market failures, along with more targeted policies to boost productive investment, such as the higher depreciation allowance measure, which has been extended until April 2017. Since 2012, the government has implemented measures to ensure that France is a world leader for research and innovation. The Research Tax Credit (CIR) has become a permanent measure and Bpifrance has worked hard to promote innovation. The third phase of the Invest for the Future Programme will be launched in 2017, with resources of €10bn to continue the efforts started during the first and second phases.

#### **- Simplifying business**

Radical administrative streamlining continued with a third raft of 90 business-oriented measures and 80 more aimed at individuals launched in February 2016. Furthermore, the Act on Labour-Management Dialogue and Employment of 17 August 2015 has smoothed out threshold effects through more uniform and rational requirements regarding collective bargaining, disclosures and consultation with employee representatives.

**Reform is moving forward with the upcoming adoption of the Digital Republic Bill, and the Transparency, Anti-Corruption and Economic Modernisation Bill.** This legislation will make France more attractive by strengthening its anti-corruption tools and by improving the business

environment, as well as making the most of the digital revolution.

### ***c) Tangible results***

These policies are starting to bear fruit. **The business environment is gradually improving.** Since 2012, France has moved up 11 places in the A.T. Kearney FDI Confidence Index to eighth place in terms of perceived attractiveness for international investors. In the last two years, it has also moved up 11 places in the World Bank Doing Business report, to 27th place, and it has just moved up one place to the 21st spot in the Global Competitiveness Report ranking (World Economic Forum – WEF). Furthermore, French **corporate R&D expenditure** rose by 16% between 2008 and 2014, outstripping R&D growth in Germany and the United Kingdom. These improvements, along with cost competitiveness gains, provide strong support for investment and business creation.

## **IV. Improving the functioning of the labour market to cope with the challenges of high unemployment and a dual labour market**

### ***a) High unemployment, particularly among young people, older workers and those with few skills, and a two-tier labour market***

The 2008 financial crisis brought with it a high rate of unemployment, which rose from 7.1% in 2008 to 9.4% in 2012. Despite an economic upturn and an increase in market-sector employment, particularly linked to measures to bring down labour costs, France has yet to create enough jobs to bring about a significant drop in the unemployment rate (which has, however, fallen below 10%). To reduce **structural unemployment**, which is relatively high in comparison with most other European countries, we need to better match supply and demand, strengthen labour-management dialogue within companies and curtail the two tier aspect of our labour market by encouraging companies – SMEs in particular – to hire people on permanent contracts.

## **b) Structural efforts**

### **A strategy with three main areas for action:**

#### **- Facilitating adaptation to the employer's economic circumstances and specific characteristics**

The signature of **job protection agreements, which were created by the 2013 Job Security Act**, was made easier by the Growth, Economic Activity and Equal Economic Opportunity Act. Act of 8 August 2016 for employment, modernisation of labour-management dialogue and strengthening of safeguards for employees (hereinafter referred to as the «Labour Act») extended the possibility of implementing such agreements to cases of job protection and employment development.

Moreover, **company- and branch-level negotiations** have been overhauled – the Labour Act gives greater legitimacy to company-level agreements and reduces the number of occupational sectors to make them more active and more effective.

The Labour Act also introduces **reforms to France's Labour Code, with an eye to leaving more room to collective bargaining and allowing companies to better adapt to fluctuating business conditions**, while simultaneously **providing employees with new rights**.

#### **- Securing labour market transitions and improving the quality of jobs**

**For employers**, the reforms underway will provide increased visibility in terms of staffing and in creating greater incentives to hire workers on permanent contracts. Thus, the Job Security Act of 14 June 2013 makes mass redundancy procedures more secure. As regards individual dismissals, the Growth, Economic Activity and Equal Economic Opportunity Act has reformed the **labour tribunal system**. Clarifications in the Labour Act concerning redundancies for reasons for economic hardship help reduce legal uncertainty in cases of contract termination, and **encourage employers to hire workers on permanent contracts**.

**Employees'** career paths are now easier and more secure thanks to the creation of the **Personal Activity Account**. The Account gives them greater visibility as to rights (concerning training or difficult work situations) that they can claim as part of their career paths. Rights also follow individuals when they change jobs or job status. The Account will **ease professional transitions and ensure a more fluid labour market**. These measures are supplemented by efforts to provide training to young people who left school without a diploma.

#### **- Promoting participation in the labour market and improving the effectiveness of unemployment insurance**

The Act of 5 March 2014 on **Vocational Training** has simplified financing for companies and has improved jobseekers' access to training. In addition to this, the Emergency Jobs Plan of 18 January 2016 earmarked €1 billion to double the number of training courses for jobseekers.

The three-party agreement signed in 2014 between the central government, the unemployment insurance agency (Unédic) and the public employment service agency (Pôle Emploi) has improved **support for jobseekers**, and Pôle Emploi's approach is focused on providing customised service. In addition, professional training contracts for older workers and the long-term unemployed have been drawn up.

Young people can take advantage of the **Youth Guarantee scheme**, the goal of which is to introduce young people who are neither employed nor in education or training into the job market. The scheme will be rolled out on a wider basis in 2017.

Finally, to **get people to return to the job market**, the in-work benefit (prime d'activité) was created by merging the earned income tax credit (prime pour l'emploi) and the in-work income supplement (RSA activité), and income tax rates were lowered. For the eight million households who will benefit, lower tax rates account for total savings of nearly €2 billion in 2016. Moreover, in a bid to provide more incentives to return to work, negotiations between labour and management over unemployment benefits will resume.

**c) Efforts that will gather momentum over the medium and long term**

Measures taken by France have already begun to bear fruit: the percentage of mass redundancy procedures that end up in court has been reduced to 7%, compared with 20-30% previously.

Labour market reforms, combined with efforts to lower labour costs, will help bolster the upturn on the labour market and improve labour-management dialogue in companies, thereby fostering a long-term drop in unemployment.

**V. The challenge of inequality, increasing social justice and inclusion**

**a) The challenge of inequality**

Starting in 2002, the share of individuals living in poverty began to rise, reaching 14.1% in 2010 – an increase of 1.2% in 8 years. **This accelerated following the 2008 financial crisis**, resulting in **greater disparities** in standards of living, and in particular to a rise in unemployment that disproportionately affected disadvantaged populations. Government action was required to reverse this trend, particularly among young people.

**b) Fiscal consolidation and social justice**

**Fiscal consolidation has been a priority of the government since 2012, but with an ongoing concern for social justice.** As a result, the tax burden on the highest income brackets has been increased, but doing so has allowed the government to maintain purchasing power for disadvantaged and middle-class households, which also were the hardest-hit by the increase in unemployment.

**Throughout the current mandate, the government has focused tax and social measures on improving living conditions for low and middle-income households.** Every tax- and social security-related initiative introduced between 2012 and 2017 has had the effect of maintaining the standard of living for households in the six lowest income deciles, and the gains were particularly noticeable for the poorest 10% of the population (+4.7%). The highest income brackets were asked to do more than their share,

but this had little impact on their standards of living (1.7% for the top decile).

**This action in favour of social justice was mainly implemented through adjustments of personal income tax.** At the beginning of the President's term, the government chose to make high-income households contribute to fiscal consolidation, above all those in the highest income decile, through capped family benefits, the creation of a 45% tax bracket and the alignment of taxes on investment income with those on earned income. Simultaneously, successive tax scale reforms since 2014, which focused on households between the 4th and the 8th income deciles, have reduced the income tax burden for middle-income brackets.

**c) Multifaceted social investment**

**The multiyear plan to fight poverty and social exclusion**, which was adopted in 2013, was the result of a broad-based consultation and of a shared analysis of the causes of poverty and the means to address it. The plan, which was updated with a 2015-2017 roadmap, aims to promote the concept of support to enable the beneficiaries to start over, especially by securing employment and having improved access to housing and healthcare.

As a core government concern, an extra €2 billion will be earmarked for fighting poverty by 2017. This will fund measures supplementing the initiatives to promote job creation mentioned above. The goals are:

- Improved access to **minimum social benefits and allowances**, which have been increased by 10% over five years for the Social Inclusion Benefit (RSA), by 25% over five years for the family support benefit for single parents and by 50% over five years for the income supplement paid to low-income families
- **Better access to childcare solutions** and support in finding work for families with children, particularly single-parent families, schooling for children as young as two, the fight against dropping out of school and, more broadly, support for the educational

and family environment (e.g. support for parenting)

- An end to the emergency management of **housing**: the plan to prevent evictions, housing assistance, energy vouchers, a social housing allocation quota for the poorest applicants, emergency accommodation, etc.
- Improved **access to healthcare** for the most vulnerable individuals: expansion of the direct settlement system, better supplementary health insurance for the least well-off households, health insurance for all citizens
- **Financial inclusion** and tackling over-indebtedness

**Moreover, the government is prioritising support for young people.** It has introduced tailored measures for employment and integration, including the Youth Guarantee scheme and the Jobs for the Future initiative. It has also set up an in-work benefit (prime d'activité) for young people.

In addition, in the wake of the April 2016 report from the MP, Christophe Sirugue, provisions for streamlining minimum social benefits will be written into the 2017 draft budgetary plan and draft Social Security budget to simplify access thereto, to provide greater support for the disabled and to foster a return to the workforce.

These measures are part of a broader approach to paving the way for the future, materialised by actions to promote the ecological transition, the rollout of a digital strategy and a bold education policy (refer to the box).

### Reforms paving the way for the future

**Ecological transition** – The Energy Transition and Green Growth Act of 17 August 2015 sets new long-term targets for greenhouse gas emissions and energy consumption. By 2030, France is aiming to cut its greenhouse gas emissions by 40%, to achieve a 32% share of renewable energy in its final energy consumption and to reduce its energy consumption by 20% compared to 2012. The longer term objective is to divide greenhouse gas emissions by four by 2050. These goals will be reached thanks to initiatives to speed up energy-saving renovation works and control of energy consumption, bolstered by tax measures, in particular, an upward trajectory for the carbon component of energy taxes.

**Digital strategy** – A very wide-reaching digital strategy is currently being rolled out to better integrate digital technology into France's economy. The Digital Republic Bill, which was passed on 28 September 2016, incorporates support for innovation and new business models, wider access to open public data, better personal protection, heightened platform fairness, network neutrality, data transferability and greater access to digital technology. At the same time, the High-Speed Broadband Plan is being implemented with the aim to cover the whole of France by 2022.

**Education** – In the last five years, the goal of reducing dropout rates, which was identified as a national priority in the Public School Reform Act of 8 July 2013 and which was the subject of a national plan introduced in 2014, has begun to produce positive results. There has been a reduction of almost 20% in the number of young people leaving the education system with no qualifications and a 20% fall in the number of unqualified 18 to 24 year olds who are not on training courses. Moreover, the reform of the entire education system is focusing on bolstering basic skills and reducing inequality. Lastly, President Hollande has set a target of 60% of an age cohort to be higher-education graduates to better match demand for a more qualified workforce and to lay the foundations for future growth.



***d) Tangible results on the main poverty and inequality indicators since 2012***

**These measures have helped reduce poverty and inequality.** The latest figures published by France's National Statistics Institute (Insee) on living standards in 2014 show that inequality indicators have returned to their pre-crisis levels. The Gini coefficient, which measures global income inequality, has also returned to its pre-crisis level. It fell significantly between 2012 and 2014, cancelling out the successive increases since 2008. Ultimately, since the start of the crisis,

inequality in France has fallen slightly more than in the remainder of the EU's 27 Member States. It has not increased as it has in some euro area countries, particularly those whose fiscal consolidation efforts have included cutting social protection expenditure since 2008. Moreover, the proportion of people living below the poverty line (standard of living 60% lower than the median) has fallen by 0.2 percentage points to 14.1% since 2012, thus partially offsetting the rise since the start of the crisis.

# Macroeconomic impact of the reforms

REFORMS	MAIN MEASURES	ECONOMIC MECHANISM	TIMETABLE	IMPLEMENTATION
LOCAL AND REGIONAL GOVERNMENT REFORM AND RATIONALISATION OF GOVERNMENT ACTION				
Local government	Act on modernising local government and strengthening metropolitan areas (MAPTAM)	<b>Productivity gains</b> through reduced administrative fragmentation and potential increased density	Passed in January 2014	1 January 2015
	Act on Regional Boundaries, Regional and Département-level Elections and the Election Calendar	<b>Potential gains from regional specialisation of production and concentration of activities</b> into more effective clusters	Passed in December 2014	1 January 2016
	Local Administration Reform Act (NOTRe)	<b>Enhanced effectiveness of decision-making</b> that can boost the performance of the local economy	Passed on 2 July 2015	Starting in 2016
ASSESSMENT: +0.3 pp of GDP by 2020 <sup>1</sup>				
REDUCING LABOUR COSTS AND IMPROVING COST COMPETITIVENESS				
Measures to promote competitiveness and employment	Competitiveness and Employment Tax Credit (CICE)	Reduced labour costs and increased margins, export market shares and investment rates	Passed in December 2012 2017 DBP for the increase to 7%	1 January 2013 (4% of total payrolls, then 6% on 1 January 2014 and 7% on 1 January 2017)
	Responsibility and Solidarity Pact - measures in favour of companies	<b>Reduced labour costs across a broad range of the wage distribution (up to 3.5 times the minimum wage) and reduced business taxes</b>	First two phases passed (2014 and 2015)  The 3rd phase will be passed in 2016 (2017 DBP and 2017 Draft Social Security Budget)	Starting in 2015
RÉDUCTION DU COÛT DU TRAVAIL ET AMÉLIORATION DE LA COMPÉTITIVITÉ-COÛT				

[1] OECD assessment: "Structural reforms in France: impact on growth and options for the future" OECD, 2014.

REFORMS	MAIN MEASURES	ECONOMIC MECHANISM	TIMETABLE	IMPLEMENTATION
Short-term support	<b>SME recruitment incentive programme (Embauche PME)</b>	In the short term, support for the economic recovery; in the long term, <b>mitigation of the hysteresis effects and the depreciation of human capital owing to unemployment</b>	Decree of 25 January 2016	2016-2017
<b>ASSESSMENT: +1.8 pp of GDP by 2020/ Jobs: +590,000</b>				
<b>SIMPLIFICATION OF REGULATIONS AND OPENING UP MARKETS FOR GOODS AND SERVICES</b>				
Administrative streamlining	<b>Regulations and orders</b>	<b>Implementation of Business Simplification Council measures</b> ("no answer means yes" principle, switch to a single, streamlined and paperless system of staff reporting for businesses, introducing a hiring-cost simulator and subsidised employment contract schemes for SMEs). Measures to streamline standards in the construction industry and in the industrial, hotel-restaurant and tourism sectors.	Three series of measures since January 2014	On-going
	<b>Business Simplification Act</b>	Many measures, including the extension of the simplified business employment scheme ( <i>Titre Emploi Service Entreprise</i> ) to establishments with between 9 and 20 employees, elimination of some tax reporting requirements	Passed in December 2014	1 January 2015
	<b>Transparency, Anti-Corruption and Economic Modernisation Bill - measures in favour of modernisation</b>	Many economic modernisation measures including: - Facilitating business funding - Streamlining business creation and supporting their growth	Presented in March 2016 Legislative process on-going	
	<b>Transparency, Anti-Corruption and Economic Modernisation Bill - measures in favour of transparency</b>	<b>Enhanced means of fighting corruption to safeguard businesses with the creation of a special national agency, regulation of interest groups with a mandatory directory, legal protection for whistle-blowers</b> and a ban on the advertising of online trading	Presented in March 2016 Legislative process on-going	



REFORMS	MAIN MEASURES	ECONOMIC MECHANISM	TIMETABLE	IMPLEMENTATION
SIMPLIFICATION OF REGULATIONS AND OPENING UP MARKETS FOR GOODS AND SERVICES				
Measures to boost competition	Consumption Act	- <b>Relaxing of regulatory constraints</b> on opticians and insurers resulting in a <b>purchasing power gain of €1.5bn</b>	Passed in March 2014	March to June 2014
		- Introduction of <b>class action suits</b>		
	Growth, Economic Activity and Equal Economic Opportunity Act	- <b>Phasing out of regulated prices for the sale of natural gas</b> to business customers	Passed in July 2015	2015-2016
		- <b>Reform of certain regulated professions</b> (lower prices, new co-ownership opportunities for legal and accounting professionals, easing of restrictions on freedom of establishment for notaries)		
ASSESSMENT: +0.4 pp of GDP by 2020/ Jobs: +25,000				
ENERGY TRANSITION				
Energy policy reform	Energy Transition and Green Growth Act	Setting targets for reducing greenhouse gas emissions, carbon pricing and resources for the <b>emergence of a new energy model</b>	Passed in August 2015	2015-2050
		Energy transition targets and carbon pricing result in <b>forced obsolescence of capital equipment and promote new investment</b> . The transmission channel is the impact on demand from investment.		
ÉVALUATION : + 0,8 point de PIB à horizon 2020/ Emplois : + 120 000²				

(2) Assessment by the General Commission for Sustainable Development: « Etude d'impact du Projet de loi relatif à la transition énergétique pour la croissance verte », 2014.

REFORMS	MAIN MEASURES	ECONOMIC MECHANISM	TIMETABLE	IMPLEMENTATION
SUPPORT FOR INVESTMENT AND INNOVATION				
Creation and rollout of financing by Bpifrance	<b>Bpifrance invested or lent more than €12bn in 2014 and €15bn in 2015</b>	Bpifrance strives to focus on profitable investments that are not fully covered by the private sector, thus increasing investment	Launched in 2012	
Invest for the Future Programme – 2nd phase 3rd phase upcoming	<b>Plan for €12bn in government investment targeting research and innovation</b> in growth sectors. A 3rd phase of €10bn will be rolled out starting in 2017	The programme's impact stems from: an increase in government investment, the leveraging of private investment and a productivity effect from channelling investment to R&D	Launched in 2013	2014-2024 for the 2nd phase, as from 2017 for the 3rd phase
Higher depreciation allowance measure for productive investment made between 15 April 2015 and 14 April 2017	<b>All productive investment (except real-estate) may be depreciated or amortised by 40%</b>	<b>The measure</b> makes a number of investments profitable and brings forward investment decisions, thereby supporting recovery in the short term	Announced in April 2015	2015-2020
High-speed Broadband Plan	<b>Access to high-speed broadband Internet for the entire population by 2022</b>	The plan supports local government projects to make high-speed broadband available and encourages private operators to coordinate their action to speed up the extension of the network. This plan represents an investment of €20bn.	Launched in 2013	2013-2022
<b>ASSESSMENT: +0.6 pp of GDP by 2020/ Jobs: +80,000</b>				

REFORMS		MAIN MEASURES		ECONOMIC MECHANISM		TIMETABLE	IMPLEMENTATION
LABOUR MARKET AND SOCIAL DIALOGUE							
Flexibility and active labour market policies	Job Security Act (based on National Multi-Sector Agreement of January 2013)	- More secure procedures for mass redundancies	<b>Less litigious mass redundancy procedures</b> (collective bargaining agreements in 75% of the cases, proportion of cases ending up in court reduced from 25% to 8%); productivity gains due to increased movement on the labour market leading to better matching of supply and demand	Passed in May 2013	1 July 2013		
		- Job protection agreements	<b>Improved employment stability over the business cycle</b>				
	Unemployment insurance agreement based on the March 2014 agreement and new agreement in 2016	Enhanced incentives to return to work (simplification of part-time work and introduction of rechargeable entitlements) and major savings efforts (€400m under the 2014 agreement in the long term)	Enhanced incentives to return to work; lower reservation wage	Talks scheduled to resume in the autumn	1 July 2014		
	Act on Vocational Training, Employment and Workplace Representation	<b>Fighting frictional and structural unemployment</b> (improved access to training for the unemployed) and <b>support for mobility</b> with portable training entitlements (personal training account)	<b>Better matching of labour supply and demand and productivity gains</b> from higher qualifications	Passed in March 2014	1 January 2015		
	Growth, Economic Activity and Equal Economic Opportunity Act - labour tribunal reform	<b>Faster results</b> , more professional procedures and facilitation of labour tribunal proceedings	Reduction of the cost and number of disputes is equivalent to lower labour costs across the board; productivity gains due to increased movement on the labour market leading to better matching of supply and demand	Passed in July 2015	2015-2016		
	Act for Employment, Modernisation of Labour/Management Dialogue and Strengthening of Safeguards for Employees - Decree on the indicative scale for labour tribunal awards	<b>Giving a larger role to collective bargaining whilst protecting employees' basic rights</b> , reducing the number of occupational sectors, bolstering the legitimacy of company-level agreements, enhancing the role of labour and management in setting the rules concerning how work is organised and working hours, explaining the reasons for layoffs	Productivity gains due to increased movement on the labour market leading to better matching of supply and demand	Passed in August 2016	2016		
Effective labour-management dialogue	Act on Labour/Management Dialogue and Employment	<b>Rationalisation</b> of information and consultation requirements, measures to <b>enhance the quality of labour/management dialogue</b> within businesses and option to simplify the staff representative bodies (extension of scope of the single employee representative body, option of merging representative bodies)	Improved performance and lower costs for representative bodies	Passed in July 2015	2015-2016		
ASSESSMENT: +0.3 pp of GDP by 2020/ Jobs: +120,000							

REFORMS	MAIN MEASURES	ECONOMIC MECHANISM	TIMETABLE	IMPLEMENTATION
<b>SUPPORT FOR THOSE WHO ARE THE FARTHEST FROM FINDING A JOB</b>				
Inclusion and improved employability	Implementation of Jobs for the Future initiative	Impact on France's economic potential by 2020, through an increase in or preservation of human capital	2013	2013-2017
	Implementation of the Youth Guarantee	The guarantee means that some policies for putting young people in education, employment or training can be financed in part by the EU. This is an active employment policy aimed at young people	Testing started in 2013 and fully implemented in 2017	2013-2017
	Enhanced resources for the public employment service agency ( <i>Pôle Emploi</i> )	Impact on economic potential by 2020 through a decrease in structural unemployment	Agreement between the central government, <i>Pôle Emploi</i> and Unemployment insurance union <i>Unedic</i> of 18 December 2014	2015-2017
	Increase in resources earmarked for training jobseekers	Jobseekers will have access to 500,000 additional training courses in 2016	2016	
<b>ASSESSMENT: +0.1 pp of GDP by 2020/ Jobs: +70,000</b>				
<b>BOOSTING THE PURCHASING POWER OF LOW-INCOME HOUSEHOLDS</b>				
Tax and benefit reforms to help low-income households	Personal income tax cut - Responsibility and Solidarity Pact	Elimination of the lowest income tax bracket in 2015 and revision of income tax rates starting in 2016. Further personal income tax cut of €1bn in 2017, bringing the total amount to €6bn	Increased purchasing power for households	2015 for the first phase and 2016 for the rest
	Extension of the "personal services" tax credit	Transformation of the tax reduction into a tax credit for employing a home help, extension of the scheme to all households with abolition of the condition that the beneficiary must exercise a professional activity	Job creation in the "personal services" sector	2017 DBP
	Anti-poverty Plan	A 10% increase in the Social Inclusion Benefit (RSA), increase in income supplement for low-income families by 50% and 25%-increase in the family support benefit for single parents	Increased purchasing power for households	Ramping up started in 2013
<b>ASSESSMENT: +0.4 pp of GDP by 2020/ Jobs: +70,000</b>				

REFORMS	MAIN MEASURES	ECONOMIC MECHANISM	TIMETABLE	IMPLEMENTATION
Education reform	EDUCATION			
	Increased resources for education	Creation of 60,000 teaching positions	Productivity gains from improved qualifications	Passed in July 2013
	Targeting struggling pupils	Overhaul of priority education, middle-school reform, overhaul of curricula for all grades, starting with pre-school, etc.	Reduction of structural unemployment, especially as drop-out numbers fall	In progress
TOTAL GDP		ASSESSMENT: +0.1 pp of GDP by 2020/ Jobs: +20,000		2013-2017
		ASSESSMENT by 2020		
		4.8 pp		
		Jobs		1,090,000



## **Economic outlook**





## Economic outlook: overview

**Following moderate growth between 2012 and 2014, the French economy has been experiencing a marked recovery since late 2014. Growth reached +1.3%<sup>1</sup> in 2015 after an average of +0.5% between 2012 and 2014.**

Since 2015, business investment and household consumption have recovered significantly. After decreasing for four years, household investment in construction started to recover at the end of 2015. The fall in oil prices since summer 2014 has reduced the French energy bill, and improved finances for households and businesses after corporate margins bottomed out in 2013. Lastly, the economic policy measures rolled out over the last four years, such as those to cut labour costs and, more broadly, all the structural reforms, have supported and will continue to underpin the French economy's potential growth and competitiveness.

**The recovery is expected to be confirmed with GDP growth of +1.5% for both 2016 and 2017<sup>2</sup>.** This growth scenario is identical to the one contained in the Stability Programme. For their part, the September 2016 Consensus Forecasts project +1.4% in 2016 and +1.2% in 2017.

**The French economy should get back to a more sustained pace of growth in Q3 2016**

**Following a vibrant Q4 2015 in spite of an adverse environment (terrorist attacks of 13 November, clement weather at the year-end), there was a sharp rise in growth during Q1 2016 before a substantial slowdown in Q2.**

These fits and starts can be partly explained by one-off and temporary factors. Manufacturing output, especially in the refinery and chemical industries, was severely affected by the **strikes**

**in the spring. Household consumption was virtually stable during Q2**, both as an indirect consequence of very healthy consumption in Q1 (ticket purchases for the Euro 2016, strong television sales ahead of the change in Digital Terrestrial Television standards) and due to the adverse impact of the strikes on household expenditure on transport services. Concurrently, business investment fell slightly in Q2, partly due to the backlash from the sharp spurt at the end of 2015 and during Q1 2016 as investors anticipated the end of the higher depreciation allowance measure, before its extension was announced. Similarly, **household investment was slightly down** due to less new-home sales at the end of 2015, pending the extension of the zero-interest loan scheme on 1 January 2016.

Activity is expected to pick up during Q3. Manufacturing output should benefit from the positive knock-on effects of the strikes in May and June, in particular in the refinery and chemical industries. Business investment is also expected to recover as augured by the upswing of balances regarding investment both in industry (Insee quarterly survey - July) and in the services (Insee monthly survey - September). The surveys show that there is more extensive use of industrial production facilities with the manufacturing capacity utilisation rate reaching its highest level since October 2008 according to Insee's July survey. Lastly, household investment should expand under the impetus of the extension of the zero-interest loan scheme.

**Growth is expected to be hindered by the deterioration in the international environment in 2016; the latter should be more favourable in 2017, in particular with the recovery of demand from emerging economies<sup>3</sup>**

(1) Within the meaning of the annual national accounts.

(2) The forecast set out in the Economic, Social and Financial Report is based on the second estimate for Q2 2016 which was published on 26 August 2016.

(3) See Trésor-Economics no. 181 "The world economy in summer 2016: moderate but gradually accelerating growth".

**The uncertainty surrounding the UK's withdrawal from the EU and future relations between the two is expected to dampen the UK's growth in 2016 and 2017.** The probable causes of this slowdown will be lower business and household confidence, a deterioration in financial conditions and a potential rise in volatility on the markets.

**The slowdown in the UK should only have marginal impact on growth in the euro area which should no longer accelerate.** Growth should still be buttressed by the ECB's accommodative monetary policy and positive employment momentum in most countries. On the other hand, the progressive lessening of the impact of positive external factors (lower oil prices and the past depreciation of the euro) and the repercussions of the referendum in the UK (rising doubt amongst investors and less trade due to the UK's slowdown) are expected to undermine growth.

**The economic difficulties experienced by the US at the start of the year are expected to weigh heavily on annual growth in 2016 but should lessen from the summer onwards.** This should allow the US economy to exceed its growth potential in 2017. In Japan, the recovery in Asian trade and the recent announcement of a wide-reaching economic stimulus package should significantly boost growth in 2017 despite the adverse impact of the recent strengthening of the yen.

**Lastly, amongst the emerging economies, Brazil and Russia should gradually pull out of recession in 2017 whereas growth is expected to slow in China and Turkey.**

Brazil and Russia are expected to pull out of recession in 2017 owing, in particular, to stable commodity prices and competitiveness gains made possible by past depreciations. In Brazil, recovery from the crisis is expected to depend on whether or not the interim government is a success. In Turkey, growth is slated to slow considerably due to the economy's structural vulnerability (substantial current account deficit) and the impact of the failed military coup in July on tourism and the inflow of foreign capital. As for China, the economic stimulus measures enacted by the authorities

should enable a sharp slowdown in growth to be avoided whereas in India, growth should be near its potential rate, buoyed up, in particular, by low commodity prices.

**World demand for French exports should ease to +2.7% in 2016 - a downward revision of more than 1 point since the Stability Programme in April 2016 - after +3.9% in 2015,** owing to weak imports in the euro area during Q1 and the downturn in domestic demand in English-speaking countries. **It should pick up to +3.6% in 2017 - again a downward revision of more than 1 point on the back of Brexit ramifications** - driven by the US' recovery and emerging-country imports that should align more closely with domestic demand.

**After expanding for three years and with very strong momentum in 2015, foreign trade is expected to be less buoyant but should remain underpinned by measures to cut labour costs and by the gradual recovery in external demand**

**After a sharp downturn in 2012** due to pressure on the sovereign debt in the euro area, **total exports have gradually recovered** as a result of stronger growth in the euro area. **Exports surged in 2015**, in spite of the problems faced by the emerging economies, due to strong exchange rate depreciation and measures to support competitiveness, and the conclusion of major aerospace and military contracts.

**They are however expected to dip significantly in 2016 (+0.9% after +6.1% in 2015).** Whilst this slowdown is in large part due to foreign trade in services falling back to a lower growth rate, exports of goods are also expected to be flatter in 2016 after the sharp increase in 2015, against the backdrop of slower foreign demand. In addition, since the end of 2015, unusual sector-specific events, notably delays in deliveries in the aeronautical industry, have caused a slight decline in the external balance. These delays do affect exports but have been partly materialised by an increase in inventories. The overall impact on growth is therefore more limited than on foreign trade.

**Exports are expected to pick up again in 2017** (+3.5%) as foreign demand progressively recovers (+3.6%).

**As in the other OECD member countries, imports have also accelerated sharply since 2013, reaching a sustained pace in 2015 (+6.6%).** This momentum can be partly attributed to structural factors related to changing international trade rules and the impact of specialisation. Since the end of 2014, imports have also been supported by cyclical developments (the expected recovery of manufacturing, the higher depreciation allowance measure boosting investments in capital goods partly met by imports). **As a result, imports of manufactured goods should remain strong in 2016 although at a slower rate of growth** (+4.1% after +6.7% in 2015)<sup>4</sup>. In 2017, these imports are expected to slightly accelerate (+4.3%) in spite of the slowdown in consumption and business investment, in connection with the pick-up in foreign demand.

**The net contribution of foreign trade to GDP growth should worsen in 2016 at -0.4 pp after -0.3 pp in 2015. Although it is expected to remain negative, it should improve markedly in 2017 to -0.2 pp.**

**Having improved since 2012 and buttressed by a further reduction of the energy bill, the trade balance (based on customs data) is expected to be virtually stable in 2016.** It is set to decline slightly to -€49bn in 2017, due to the effects of Brexit and a worsening energy trade balance following rising oil prices.

**Household consumption is expected to remain robust due to sustained purchasing power**

Real wage growth should remain strong in 2016 before slowing down in 2017, notably as inflation picks up and businesses attempt to maintain their financial position. After a noticeable upturn in 2015, market sector employment should stay

on an upward path in 2016 and 2017, thanks to GDP growth and economic policy measures (the Competitiveness and Employment Tax Credit (CICE), the Responsibility and Solidarity Pact and the new SME recruitment incentive programme). Households should also benefit from the growth in property income, since larger operating margins should lead companies to pay out more dividends. Moreover, households should receive more interest income as interest rates gradually rise. Conversely, social security benefits will start to slow over the forecast period as unemployment falls and savings measures begin to kick in. **In all, after a sharp turnaround that began in 2013, household purchasing power should continue to enjoy sturdy growth in 2016 (+1.9%) and 2017 (+1.5%).**

**After a marked increase in 2015 (+1.5% after +0.7% in 2014), household consumption is expected to continue to accelerate in 2016 (+1.8%).** It was particularly robust in the first half of the year, despite an uneven quarterly profile due to factors that were partly temporary. Although slightly decelerating in connection with purchasing power, household consumption should remain strong in 2017 (+1.6%).

**Thus, the savings rate should be +14.5% in 2016 and in 2017<sup>5</sup>.**

**The construction sector's difficulties are expected to dissipate progressively and household investment should support activity**

**After falling for four years, household investment should pick up in 2016 (+0.4%, after -0.8% in 2015), and then accelerate strongly in 2017 (+2.6%).** The extension of the zero-interest loan scheme on 1 January 2016 is expected to support household investment in construction as from Q3 2016. Construction industry data points to an uptick in housing starts in recent months

(4) Total imports should slow down more significantly due to imports of services.

(5) Note that the annual national accounts from May 2016 revealed, for the period 2013-2015, a marked downward revision in the household savings rate, which stood at +14.5% in 2015 (against +15.4% at the time the detailed results for Q4 2015 were published in March 2016).

(+4.7% from May to July over the same period in 2015).

**Under the combined effects of economic policy measures and healthier profit margins for companies, investment (excluding construction) remained high and has been expanding steadily since 2012**

**Excluding construction, corporate investment is expected to be very robust in 2016 (+4.9%, against +3.7% in 2015), buoyed by the temporary higher depreciation allowance measure, and should then slow in 2017 (+4.5%), despite the extension of the allowance measure until 1 April 2017. This is partly due to the uncertainty created by the Brexit vote.** Companies' improved financial situation, in particular through healthier margins which have noticeably picked up since the low point in 2013 (an expected 32.0% in 2016 and 2017, after 31.4% in 2015), should support their investment decisions.

**Due to the continued fall in oil prices at the start of the year, inflation is expected to be near zero in 2016 (+0.1%) and should only rise in 2017**

**After a steady downward trajectory between 2012 and 2015, inflation should be close to zero in 2016 (+0.1%, after 0.0% in 2015),** essentially due to the continued fall in oil prices between the end of 2015 and the beginning of 2016. Despite the rise in energy taxation, the contribution of energy prices to inflation should once again be negative, at -0.3 points. Core inflation is expected to slightly increase (+0.7%, after +0.5%). The effect of past euro depreciation on the prices of imported manufactured goods should more than offset slower growth in the price of services, in connection with past sluggish labour costs, the slowdown in rent prices and the decrease in the price of public transport.

**Inflation is expected to pick up in 2017 (+0.8%), mainly due to the impact of the mechanical increase in volatile inflation (under the conventional assumption of steady oil prices**

**and exchange rates).** Core inflation is expected to remain stable at +0.7%: the recent appreciation in exchange rates is expected to bring about a more noticeable drop in the price of imported manufactured goods, whereas the prices of services should rise slightly, in connection with wages evolution and accelerating unit labour costs (as measures to lower labour costs come fully online).

**Market sector employment should rise as the economy recovers, and should benefit from vigorous policies in favour of employment**

The momentum in job creation seen in 2015 continued in the first quarters of 2016, and is expected to gather steam in the ensuing quarters. On an annual average basis, nearly +120,000 jobs are expected to be created in 2016, the biggest increase since 2007. In 2017, growth in market sector employment should be stronger than in 2016 (an annual average of +160,000 jobs).

The Competitiveness and Employment Tax Credit and the Responsibility and Solidarity Pact should contribute to this sharp rise in employment. The new SME recruitment incentive programme is expected to create an average of +35,000 jobs in 2016 and +60,000 jobs in 2017. Moreover, thanks to additional support for government-sponsored employment contracts that was announced for the second half of the year, employment in the non-market sector should continue to expand in 2016 before stabilising in 2017.

**Uncertainties are surrounding this forecast**

**This recovery scenario is based notably on oil prices and the euro exchange rate staying close to recent levels.**

**The performance of French exports will depend on our partners' growth levels,** which could be affected by Brexit, the outcome of which remains uncertain, as well as by the economic situation in emerging economies, China in particular.

**The behaviour of French households and businesses is also uncertain.** The investment

strategy of households and businesses constitutes a risk: private investment could be more dynamic if household construction investment recovers more quickly than anticipated and if businesses react more positively to the extension of the higher depreciation allowance measure.

However, private investment could be less dynamic if the uncertainty triggered by the Brexit vote has more adverse effects than expected, or if businesses decided to continue to consolidate their financial situation and use these higher margins to reduce their debt.

**Table 1: Economic forecasts 2016-2017**  
(real changes in %, unless otherwise stated)

	2015	2016	2017
GDP - France	1.3	1.5	1.5
World demand for French exports	3.9	2.7	3.6
Consumer price index - France	0.0	0.1	0.8
World GDP	3.1	3.0	3.4
United States GDP	2.6	1.5	2.1
Euro area GDP	2.0*	1.6	1.5
Exchange rate USD/EUR (annual average)	1.11	1.11	1.12
Oil prices (Brent, USD/barrel, annual average)	53	42	45

(\*) The economic deceleration in the euro area in 2016 is due to Ireland's pronounced growth in 2015 (+26.3%) in connection with temporary factors.

**Box 1: Review of the forecasts for 2016-2017**

*The overall macroeconomic scenario underlying the 2017 Draft Budgetary Plan is globally unchanged from the scenario underlying the April 2016 Stability Programme. The growth forecast is still +1.5% for 2016 and 2017. Revisions concern only the components of growth, with a stronger domestic demand and a weaker contribution of the international environment.*

***The revisions of the growth components in 2016 are the direct result of information published in the quarterly accounts covering the second quarter***

*Growth should be sustained by more robust than expected domestic demand for the first half-year, particularly due to the effects of the higher depreciation allowance measure (despite a setback in Q2). On the other hand, foreign trade is expected to put a drag on growth for two reasons: the weakness of exports caused by softer foreign demand and difficulties in the aeronautics industry, and still strong imports connected to the turnaround of France's productive process. For the second half of the year, the surveys remain close to their long-term level, in line with a quarterly growth rate of about 0.4%. Growth should also benefit from a bounceback effect in Q3 after the strikes put a damper on second-quarter growth, and from better-than-expected investment at the end of the year due to the extension of the higher depreciation allowance measure.*

***GDP growth should stabilise in 2017, as forecast in the Stability Programme***

*Since the Stability Programme was published, the main negative shock that will affect France's economy in 2017 is the result of the referendum on whether the UK should leave the European Union. Nonetheless, several indicators issued after the results of the vote suggest that the short-term effects of Brexit could be more modest (in the most recent surveys, the effects of the referendum on business confidence appeared to be limited, and the tensions in the immediate wake of the vote appear to have subsided). On the contrary, the trend path for investment, sustained by the extension of the higher depreciation allowance measure until 1 April 2017, is expected to be stronger than predicted in the Stability Programme, as shown by the vigour of businesses' investment excluding construction in the first half of 2016. Household consumption should also be more robust than forecast in the Stability Programme: sustained by strong employment – thanks in particular to the extension of the recruitment incentive programme – and by a lower inflation forecast, both of which boost household purchasing power. Finally, the shift in France's fiscal consolidation composition in 2017 should be favourable to growth in the short term.*



**Table 2: Comparison of the 2017 Draft Budgetary Plan and the April 2016 Stability Programme forecasts**

Average annual growth rate in %	Stability Programme (April 2016)		DBP 2017	
	2016	2017	2016	2017
<b>International environment</b>				
Oil prices (Brent, USD/barrel)	37	38	42	45
Exchange Rate USD/EUR	1.10	1.10	1.11	1.12
World demand for French exports	3.8	4.7	2.7	3.6
<b>France</b>				
GDP growth	1.5	1.5	1.5	1.5
Imports	4.8	5.1	2.1	4.0
Private consumption expenditure	1.6	1.6	1.8	1.6
Gross fixed capital formation (GFCF)	1.7	3.0	2.7	3.1
o.w. GFCF of non-financial enterprises	3.2	3.8	3.8	3.5
Exports	3.9	4.8	0.9	3.5
Contribution of external trade to growth (in percentage points of GDP)	-0.3	-0.1	-0.4	-0.2
Contribution of changes in inventories to GDP growth (in percentage points of GDP)	0.4	0.0	0.1	0.0
CPI	0.1	1.0	0.1	0.8

Source: Economic, Social and Financial Report forecasts.

**Box 2: Authority responsible for producing forecasts and independence of the forecasting**

The Directorate General of the 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 draft budgetary plan. The Directorate General of the Treasury relies on information produced by other government departments, such as the Public Finances Directorate General and the Directorate General of Customs and Excise for interim financial reporting. These forecasts were submitted to the High Council on Public Finances ("Haut Conseil des finances publiques," HCFP) for its opinion. The HCFP is an independent body, set up by Constitutional Bylaw no. 2012-1403 of 17 December 2012. Its task is to give its opinion on the macroeconomic forecasts used as a basis for draft budgetary plans and on the consistency of the introductory article of the draft budgetary plan with the multiyear structural balance path set out in the Public Finance Planning Act.

The HCFP issues an opinion on all of these matters. This opinion is then attached to the draft budgetary plan submitted to Parliament and made public by the HCFP at the same time. The Constitutional Council upheld the principle that the opinions of the HCFP are among the items that it considers when assessing the accuracy of the legislation brought before it.

**Box 3: Comparison with the forecasts from the European Commission, international organisations and the Consensus Forecasts**
**The Draft Budgetary Plan forecast is close to the latest forecasts from international organisations**

The government's forecast for 2016 is +1.5%, the same as that of the IMF from the month of July. It is slightly higher than the OECD's forecast of +1.3% in its interim forecasts from 21 September, and also above the European Commission's forecast, also +1.3%, which it issued in early May (see Table 3).

The Draft Budgetary plan for 2107 expects the rate of economic growth to stabilise at +1.5%, which is higher than the one predicted by the OECD, which anticipates +1.3%, whereas the Commission expects an acceleration to +1.7% in 2017 under the usual no-policy change scenario. The IMF's forecast is less dynamic, and predicts that growth will slow to +1.2%.

**The macroeconomic scenario underpinning the Draft Budgetary Plan is more dynamic for 2017 than the one in the latest Consensus Forecasts**

For 2016, the forecasts in the DBP (+1.5%) and the September Consensus Forecasts (+1.4%) are very similar (see Table 4).

For 2017, Consensus Forecasts are predicting a slight slowdown (+1.2%).

The Consensus Forecasts from September show consumer prices rising by +0.2% in 2016 and by +1.2% in 2017. This is slightly higher than the Draft Budgetary Plan scenario showing +0.1% inflation in 2016 and +0.8% in 2017.

Forecasts of domestic demand in 2016 are close when it comes to household spending and corporate investment, but the DBP is more optimistic than the Consensus about the change in productive investment in 2017.

The assumptions underlying the international environment in the Draft Budgetary Plan are on the whole comparable to those of the Consensus Forecasts, with similar growth forecasts for the United States and the euro area, although the Consensus is expecting a more marked downturn for the UK over the forecast horizon.

**Table 3: Forecasts for France**  
**Draft Budgetary Plan, OECD, IMF and the European Commission**

	2017 Draft Budgetary Plan		OCDE** Sept. 2016		FMI July 2016		OCDE June 2016		European Commission May 2016	
Avg. annual growth rate (in %)	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
GDP	1.5	1.5	1.3	1.3	1.5	1.2	1.4	1.5	1.3	1.7
Harmonised Index of Consumer Prices	0.2	0.9	n.d.	n.d.	n.d.	n.d.	0.1	0.8	0.1	1.0
Net Lending (+) or Borrowing (-) of the General Government (in percentage points of GDP)*	-3.3	-2.7	n.d.	n.d.	n.d.	n.d.	-3.4	-3.0	-3.4	-3.2

\* according to the Maastricht definition

\*\* OECD September: interim forecasts



**Table 4: Comparison between DBP forecasts and Consensus Forecasts**

<i>Annual growth rate (in %)</i>	<b>DBP 2017 core economic scenario</b>		<b>Consensus Forecasts September 2016</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>International environment</b>				
GDP growth				
United States	1.5	2.1	1.5	2.3
Japan	0.5	1.3	0.6	0.8
United Kingdom	1.7	1.2	1.7	0.7
Euro area	1.6	1.5	1.5	1.3
<b>France</b>				
GDP	1.5	1.5	1.4	1.2
Household consumption expenditure	1.8	1.6	1.7	1.4
Gross fixed capital formation - non-financial corporations	3.8	3.5	3.6	2.2
Consumer price index	0.1	0.8	0.2	1.2



## **Fiscal outlook**



# 1. Fiscal overview and strategy

**The government is continuing the fiscal consolidation effort made since 2012 to put public finances back on a sustainable path. The public deficit will be below 3% of GDP in 2017, in keeping with the commitments made in the 2014-2019 Public Finance Planning Act (LFPF), and government debt will be stabilised, following ten years of steady increases. This policy of fiscal responsibility has provided fiscal room for the implementation of government policies. Again in 2016 and 2017 this strategy will free up the resources needed to implement reforms that promote growth and social justice and to finance priorities such as education, youth, jobs and security.**

The fiscal consolidation effort has been implemented consistently since May 2012 and produced a significant improvement in the deficit between 2012 and 2015. The deficit has been reduced more rapidly than foreseen in the Public Finance Planning Act of December 2014, despite the difficult economic situation since 2012. The headline deficit went from 5.1% of GDP at the end of 2011 to 3.5% in 2015, and the structural deficit was reduced by a total of 2.5 percentage points of GDP between 2012 and 2015, to reach 1.9% in 2015, its lowest level since 2000.

The fiscal consolidation effort continues: the government deficit should stand at 3.3% of GDP in 2016, before reaching 2.7% in 2017. This improvement will primarily be of a structural nature and the structural deficit should fall from 1.9% of GDP in 2015 to 1.1% in 2017<sup>1</sup>. The medium-term objective (MTO) of achieving structural fiscal balance should be reached in 2020.

Fiscal consolidation has relied mainly on containing expenditure since 2013. The growth rate of public expenditure has fallen to historic lows,

standing in 2015 at 0.8% in nominal terms, excluding tax credits, following 1.0% in 2014. The average annual growth rate of public expenditure over five years from 2013 to 2017 should stand at 1.3%, compared to average growth of 3.6% between 2002 and 2012.

**In 2016, the deficit should be down to 3.3% of GDP. Deficit reduction relies on containment of expenditure, which should grow at a moderate 1.4% in nominal terms, excluding tax credits. The aggregate tax and social security contribution rate should fall from 44.7% in 2015 to 44.5% in 2016, as the measures under the Responsibility and Solidarity Pact take effect.**

The priority on containing expenditure led to savings measures that were set out in the April 2014 Stability Programme and upheld and strengthened by subsequent budget acts. This effort was bolstered with further measures to cope with the adverse fiscal impact of lower-than-expected inflation. These measures were announced in the April 2015 and April 2016 Stability Programmes and amounted €5bn and €3.8bn respectively.

This effort to contain expenditure will make it possible to finance measures to strengthen security and the Emergency Jobs Plan announced by the President of the French Republic on 18 January 2016, without abandoning the fiscal targets and while maintaining the appropriate conditions for renewed growth.

The total contribution of expenditure measures to the structural effort should amount to 0.5 percentage points of GDP in 2016. The public expenditure ratio should continue to fall to 55.0% of GDP, compared to 55.5% in 2015.

The fiscal room for manoeuvre created by these expenditure efforts will make it possible to reduce taxes and social security contributions for businesses and households. The measures foreseen for the second year of the Responsibility and Solidarity Pact will lower the aggregate tax and

(1) Measured according to the potential growth forecast in the Stability Programme, 1.3% of GDP according to the Public Finance Planning Act forecast.

social security contribution rate, which should see a further fall from 44.7% in 2015 to 44.5% in 2016.

In aggregate, following a nominal adjustment of 0.2 points, the deficit should be reduced to 3.3% of GDP in 2016. Growth should reach its potential, so this adjustment would result from a structural adjustment of 0.3 points, partially offset by one-off and temporary measures making a negative contribution of 0.1 points.

Deficit reduction is the result of efforts made by all general government sub-sectors. For example, the cap on central government expenditure, excluding debt service and pensions, passed in the 2016 Initial Budget Act is lower than the cap planned in the 2014-2019 Public Finance Planning Act. At the same time, low interest rates and the credibility of the government's fiscal policy will produce savings on debt service. Central government agencies will also contain their expenditure, notably as disbursements under the Invest for the Future Programme slow down. Local governments should also do their part for the fiscal consolidation effort. The upswing in local government expenditure, which is usual at this point in the municipal election cycle, should indeed be moderate. Savings on administrative expenditure in particular should be achieved as central government transfers are cut by €3.3bn, and as local government reform creates room for manoeuvre. The local government expenditure growth target (ODEDEL) was lowered to 1.2% in the 2016 Initial Budget Act and should be met once again.

Finally, in terms of social expenditure, the national healthcare expenditure growth target (Ondam) was set at €185.2bn in the Social Security Budget Act. This figure represents growth of 1.8% compared to 2015 healthcare expenditure. This target should also be met, as indicated in the early warning committee's opinion dated 27 May 2016. Growth of other social protection expenditure should slow as past reforms take effect and as the additional savings announced in the April 2016 Stability Programme are implemented.

**The fiscal consolidation strategy has been maintained in the Draft Budgetary Plan and the draft social security budget for 2017.**

The government deficit should stand at 2.7% of GDP in 2017, in accordance with the 2014-2019 Public Finance Planning Act. Containment of expenditure will continue in 2017, while still ensuring financing for such priorities as education, youth, jobs and security, as was announced during the Public Finance Policy Debate. The Draft Budgetary Plan and the draft social security budget provide details of measures to contain government expenditure and to provide full financing for the measures introduced since the April 2016 Stability Programme.

The growth of nominal government expenditure, excluding tax credits, should reach 1.6% in 2017. This growth will be slightly faster than in 2016, but will still be contained at a level that is much lower than the growth rate observed between 2002 and 2012. This slightly faster growth will stem from the €3.4-billion increase in central government expenditure, excluding debt service and pensions, compared to the central government expenditure figure in the 2016 Initial Budget Act. The increase in expenditure was announced during the Public Finance Policy Debate. It was needed to finance such priorities as security, justice, jobs and education. The pace of cuts in operating grants for local governments has been adjusted, with cuts of €2.8bn in 2017, following cuts of €3.3bn in 2016. The local government expenditure growth target was set at 2.0%, in accordance with the 2014-2019 Public Finance Planning Act. Meanwhile, the national healthcare expenditure growth target has been set at 2.1%. This means that 2015, 2016 and 2017 will have been the three years with the lowest healthcare expenditure growth rates since 1997.

The effort to contain expenditure set out precisely in the draft social security budget for 2017 will make it possible to meet this target. In this manner the government expenditure ratio should continue to fall to 54.6% of GDP.

The government will continue to implement tax reforms for growth and social justice. For example, the corporate income tax rate will be cut to 28% in 2017 for small and medium-sized enterprises (SMEs). Self-employed craft workers will see a bigger cut in their social security contributions

and a further personal income tax cut worth €1bn will be implemented, for a total of €6bn in targeted income tax cuts since 2014.

Energy taxes are expected to ramp up and the structure of growth should become more favourable for revenues, which means the aggregate tax and social security contribution rate should stabilise at 44.5% of GDP.

The headline deficit should improve by 0.6 percentage points of GDP in 2017, with a structural

adjustment of 0.5 percentage points of GDP. The structural adjustment will primarily be the result of an effort to cut expenditure by 0.4 percentage points of GDP.

**Government debt should be stabilised and should start to decrease slightly.** This development stems from the combined effects of reducing deficits and a gradual economic recovery. From 96.2% of GDP at the end of 2015, the debt ratio should decrease to 96.1% in 2016, then to 96.0% at the end of 2017.

**Table 1: Government balance by sub-sector**

Lending capacity (+) or borrowing requirement (-) as a % of GDP	2015	2016	2017
Central government	-3.3	-3.3	-3.0
Other central government agencies	-0.1	-0.1	0.0
Local government	0.0	0.0	-0.1
Social security funds	-0.2	0.0	0.4
<b>Government balance</b>	<b>-3.5</b>	<b>-3.3</b>	<b>-2.7</b>

**Table 2: Structural balance**

As a % of GDP, unless otherwise noted	2015	2016	2017
<b>Government balance</b>	<b>-3.5</b>	<b>-3.3</b>	<b>-2.7</b>
of which, cyclical balance	-1.6	-1.6	-1.6
of which, structural balance (excluding one-off measures, as a % of potential GDP)	-1.9	-1.6	-1.1
of which, one-off measures (as a % of potential GDP)	0.0	-0.1	-0.1
<b>Structural adjustment (excluding one-off measures, as a % of potential GDP)</b>	<b>0.4</b>	<b>0.3</b>	<b>0.5</b>
of which, structural effort	0.5	0.4	0.4
discretionary tax measures	-0.1	-0.2	0.0
expenditure saving effort	0.5	0.5	0.4
of which, non-discretionary component	0.0	-0.1	0.0
of which, adjustment for accrual-based measurement of tax credits	-0.1	0.0	0.1

**Table 3: Key figures**

As a % of GDP, unless otherwise noted	2015	2016	2017
Government debt, excluding financial support to the euro area	93.1	93.1	93.1
Total government debt	96.2	96.1	96.0
Real growth rate of expenditure, excluding tax credits (% change)	0.8	1.3	0.8
Nominal growth rate of expenditure, excluding tax credits (% change)	0.8	1.4	1.6
Government expenditure, excluding tax credits	55.5	55.0	54.6
Aggregate tax and social security contribution rate, net of tax credits	44.7	44.5	44.5

**Box 1: The Responsibility and Solidarity Pact**

The Responsibility and Solidarity Pact announced in January 2014 is contributing to the reduction of taxes and social security contributions over the period from 2014 to 2017. The objectives of the Pact include promoting jobs, bolstering businesses' capacity for productive investment and competitiveness, as well as making personal taxes and contributions more progressive for low and middle-income households. The first measures under the Pact were passed in 2014 and implemented in 2015. In 2016, a second round of cuts in employers' social security contributions, a further cut in the corporate social solidarity contribution (C3S) and the elimination exceptional corporate income tax payment for large corporations took effect. The corporate income tax rate will be lowered down, with a first step in 2017 for small and medium sized enterprises. Households will save €1bn in personal income tax following a further cut targeting the middle class that has been included in the 2017 Draft Budgetary Plan.

**a) €40bn competitiveness package for businesses in 2017**

The Responsibility and Solidarity Pact, the Competitiveness and Employment Tax Credit (CICE) and measures to promote employment, such as the hiring bonus, help to boost employment and restore the competitiveness of French companies. Combined with plans to support investment and very small enterprises and SMEs, these measures will save businesses €36bn in 2016 and €40bn in 2017.

In € billion		2014	2015	2016	2017
CICE tax credit		-11	-17	-18	-19
Responsibility and Solidarity Pact	Cuts in social security contributions (including self-employed workers)		-5½	-9	-10
	Cut in the C3S		-1	-2	-2
	Phasing-out of the exceptional corporate income tax payment			-3	-3
	Cut in standard rate of corporate income tax				-½
<b>Sub-total</b>		<b>-11</b>	<b>-23½</b>	<b>-32</b>	<b>-34½</b>
Plans to support investment and VSEs/SMEs			-½	-1½	-1½
Emergency jobs plan				-2	-3
Cuts in farmers' social security contributions				-½	-½
<b>Total measures benefiting businesses</b>		<b>-11</b>	<b>-24</b>	<b>-36</b>	<b>-39½</b>

Key: the figures are rounded. Consequently, the apparent sum of the rounded figures may be different from the rounded sum.



**Additional exemptions under the Pact will expand the reduction in the cost of labour initiated by the CICE tax credit:**

- a full exemption from employers' social security contributions on minimum wage jobs (except for unemployment insurance contributions), and a 1.8-point cut in family benefit contributions on wages up to 1.6 times the minimum wage as of 1 January 2015, for a total savings of approximately €5bn by 2017. This exemption was backed up by a €1-billion cut in self-employed workers' family benefit contributions, to be followed by a further cut of €0.15bn in 2017.
- an extension of the 1.8-point cut in employers' family allowance contributions to jobs paying between 1.6 and 3.5 times the minimum wage starting on 1 April 2016, which cuts contributions by €3bn in 2016 and by €4bn in 2017.

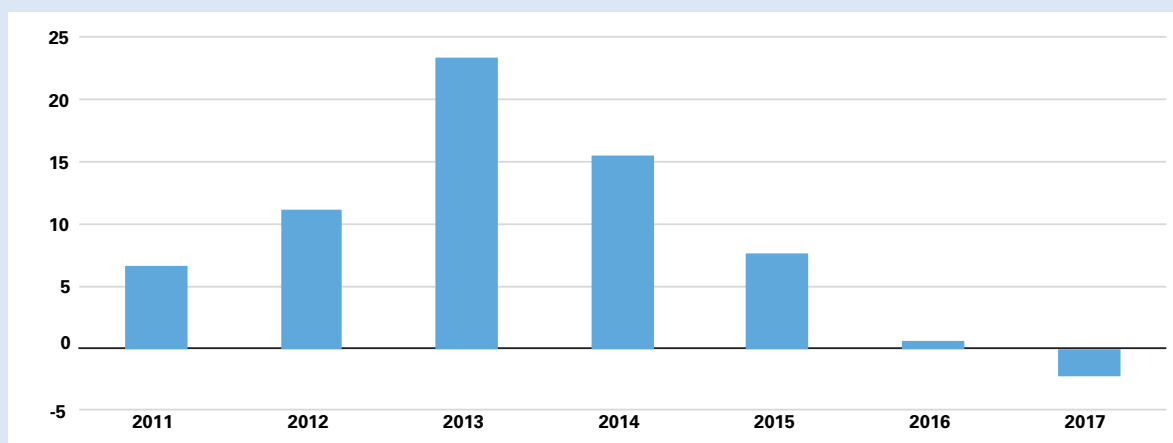
Furthermore, CICE tax credit will be increased from 6% to 7% on wages paid in 2017 to enhance its beneficial impact on employment and investment, for an additional cost of €3bn in 2018.

**The Pact is streamlining and reducing corporate taxes.** Following the introduction of a second deduction in 2016, the corporate social solidarity contribution was eliminated for more than 90% of the 300,000 companies that had been paying it. The exceptional corporate income tax payment for large corporations was abolished in 2016, reducing large corporations' tax bills by €3bn. Furthermore, the standard rate of corporate income tax will be lowered gradually from the current 33⅓% to 28% in 2020, with a preliminary reduction in 2017 for SMEs.

As part of the plan to stimulate investment and growth initiated in April 2015, the one-off higher depreciation allowance measure to support productive investment has been extended until April 2017 and eligibility has been expanded to include the digital industries.

**The aggregate effect of these measures to support businesses in 2017 will be to offset all of the increases in businesses' taxes and contributions implemented since 2011.** After seeing their taxes and contributions increase by €23bn between 2011 and 2013, one third of which being the result of measures decided before May 2012, businesses will have seen their taxes and contributions reduced by more than €25bn since 2014. This movement will intensify in 2018 and beyond with the continuing take-up of the CICE tax credit, along with the reduction of corporate income tax rate included in the Draft Budgetary Plan.

**Chart 1: Cumulative change in discretionary tax measures affecting businesses (in € billion)**



Key: i) All taxes and contributions paid by businesses, excluding indirect taxes, local direct taxes and one-off events, such as the cost of the plan to revive and reform the local business tax and the revenue from fighting fraud and tax disputes.

ii) The CICE tax credit is recorded as the sum of credits claimed (€16bn in 2017) and not the sum of accrued credits (€19bn).

**b) Personal income tax cuts worth approximately €6bn**

Several successive measures to boost the purchasing power of low and middle-income households have been implemented:

- In 2014, a one-off income tax cut of €1.5bn was passed in the Supplementary Budget Act of 8 August 2014, lowering the tax bills of 4.2 million households.
- The 2015 Initial Budget Act eliminated the lowest income tax bracket, thereby lowering the tax bills of 9.5 million households by €1.5bn in 2015.
- The 2016 Initial Budget Act included a further income tax cut that reduced the tax bills of 8 million households by €2bn.
- The 2017 Draft Budgetary Plan introduces a 20% means-tested reduction in income tax that will reduce the tax bills of more than 5 million households by €1bn.

A total of 12 million households will benefit from these tax cuts.

The final stage of tax relief measures for the middle classes will be rounded out by a measure aimed specifically at low-income pensioners. Expenditure in 2017 will start including the expansion of the tax credit for in-home services to all taxpayers, including those with the lowest incomes.

**a. Outturn in 2015****Overview of the year**

In a macroeconomic context featuring a gradual economic recovery and no inflation, the government deficit shrank between 2014 and 2015, falling from 4.0% of GDP to 3.5%. After accounting for the latest INSEE estimates of the social security balance<sup>2</sup>, which led to an improvement in the general government balance of €1bn compared to the one estimated in the May 2016 Budget Review Act (Loi de règlement). That estimate was based on the provisional general government accounts that INSEE published on 30 May 2016.

A structural effort equivalent to 0.5 percentage points of GDP was achieved in 2015. This effort was attributable solely to expenditure savings (0.5 points) that reflect the containment of government expenditure, which reached a historic low, with nominal growth of 0.8%, excluding tax credits. This improvement was slightly diminished, by 0.1 percentage points of GDP, by cuts in taxes and social security contributions stemming from the first year of the Responsibility and Solidarity Pact. Finally, the accounting discrepancy arising from the recognition of the CICE

tax credit as an accrued claim in the System of National Accounts and as an offset or refund in fiscal accounting reduced structural adjustment by 0.1 percentage points of GDP. Consequently, structural adjustment stood at 0.4 percentage points of GDP.

This structural adjustment, combined with favourable cyclical effects that contributed 0.1 percentage points of GDP to adjustment, as actual economic growth stood at 1.3%, outstripping the potential growth of 1.1% forecast in the 2014-2019 Public Finance Planning Act, explains why the improvement in the general government balance came to a total of 0.5 percentage points of GDP.

**Government expenditure in 2015**

The outturn in 2015 reflects the priority given to containing expenditure in fiscal consolidation efforts since 2014. Nominal growth of government expenditure, excluding tax credits, stood at 0.8%, following 1.0% in 2014. These results testify to the sharp drop in nominal expenditure growth from an annual average of 3.6%, excluding tax credits, between 2002 and 2012.

Moderate expenditure growth in 2015 is primarily the result of the savings measures set out in the 2014-2019 Public Finance Planning Act, which were enhanced by further measures announced

(2) Published on the INSEE website on 6 September 2016.

in the April 2015 Stability Programme to account for the impact of lower-than-expected inflation on public finances. Central government expenditure, excluding debt service and pensions, fell by €1.3bn on a like-for-like basis compared to 2014. Meanwhile, additional expenditure decided in the course of the year, specifically to ensure the security of the French population as part of the plan to fight terrorism, was financed by means of a supplemental appropriation decree of 9 April 2015, where new appropriations were offset by cancellations. Furthermore, accrued interest expense decreased by €2.1bn over the year.

Other central government agencies have contributed to this effort through a decrease in disbursements under the Invest for the Future Programme, which is monitored by the General Commission for Investment, along with lower caps on the taxes allocated to them and claw-backs from their working capital.

Local government expenditure has also slowed down considerably as a result of i) the €3.5-billion cut in central government transfers to local governments, which gave them an incentive to contain the growth of their operating expenditure, which posted actual growth of 0.9%, as opposed to the forecast of 2.0% growth in the Public Finance Planning Act, and ii) the usual pattern of local government capital expenditure driven by the local election cycle, which resulted in a 10.2% drop in local government investment, excluding the Greater Paris Authority. In addition, the introduction of the local government expenditure growth target (ODEDEL) in the 2014-2019 Public Finance Planning Act has involved local governments more closely in the effort to contain government expenditure.

Meanwhile, the national healthcare expenditure growth target was lowered to 2.0% in the course of the year and was met for the sixth year in a row, while other measures passed in the 2015 Social Security Budget Act, particularly measures affecting family benefits, including the means-testing of family allowances, helped to contain government expenditure.

### ***Aggregate tax and social security contribution rate in 2015***

For the first time since 2000, the government deficit is improving even as taxes and social security contributions are decreasing. In 2015, the aggregate tax and social security contribution rate stood at 44.7% of GDP, compared to 44.8% in 2014. Discretionary measures diminished the rate by 0.1 percentage points of GDP, since spontaneous revenue growth was in line with GDP growth.

The discretionary measures decreased revenues by €1.6bn<sup>3</sup>. This decrease was the result of take-up of the CICE tax credit and the implementation of the Responsibility and Solidarity Pact, which cut employers' social security contributions, the corporate social solidarity contribution and personal income taxes. Some of these cuts were offset by other measures, such as the increase in eco-taxes, higher pension contributions under the terms of the 2014 pension reform and the 2013 agreement on supplementary pension schemes, along with revenue from the fight against tax fraud and measures that eliminated corporate income tax deductions for several different taxes.

Taxes and social security contributions would have grown spontaneously (i.e. excluding the effects of discretionary tax measures) at a rate of 1.9%, with an aggregate tax elasticity to GDP equal to unity (1.0). Spontaneous growth of central government revenue matched GDP growth. Value added tax (VAT) revenue growth, in particular, suffered from low inflation, but other tax revenue, such as gift and inheritance taxes, showed strong growth. The spontaneous growth of local government taxes was greater than nominal GDP growth (elasticity of 1.5), due in part to strong growth of stamp duty revenues (DMTO). In contrast, the growth of social security contributions was slower than GDP growth (elasticity of 0.9). More specifically, wage bills grew more slowly than GDP, leading to slower

(3) All of the discretionary measures affecting taxes and contributions are detailed in Table 21 of the "Detailed Forecast Tables" section.

growth of social security contributions and the general social security contribution (CSG).

## **b. Mid-year outturn**

### ***Government expenditure in 2016***

The following presentation is based on the most recent information available at this point in the year.

The nominal expenditure cap set in the 2016 Initial Budget Act for central government expenditure, excluding debt service and pensions, is lower than the cap stipulated in the 2014-2019 Public Finance Planning Act. This lower cap on expenditure should be met. More specifically, the additional expenditure incurred under the Emergency Jobs Plan announced by the President of the French Republic on 18 January 2016 will be covered by savings on other expenditures. A supplemental appropriation decree first provided €766 million in June 2016, and the balance will be provided according to the updated requirements under the Supplementary Budget Act at the end of the fiscal year. The contingency reserve now stands at €10.4bn, excluding staff expenditure, following careful management of releases of frozen appropriations. In fact, the rate of appropriations put into reserves was particularly high this year at 8% (excluding staff expenditure). It was increased by a supplementary allocation to reserves of €1.8bn in appropriations carried over from 2015 to 2016. This means that the government now has the means to implement the self-insurance principle within and between the line ministries' programmes.

The accrued interest expense on central government debt should reach €35.2bn in 2016, compared to €37.2bn in 2015. This projection is based on issuance since the beginning of the year and the updated yields and inflation forecasts. It assumes that 10-year yields will gradually rise to reach 0.5% at the end of the year and that inflation will stand at 0.1%.

The initial and supplementary budgets of other central government agencies do not diverge from the expenditure growth forecasts.

The preliminary outturn data on local government expenditure corroborate the forecast for 0.8% growth, which is lower than the local government expenditure growth target of 1.2% set out in the 2016 Initial Budget Act (or the 1.9% growth target in the 2014-2019 Public Finance Planning Act). Moderate expenditure growth reflects local governments' efforts to contain administrative expenditure, which were facilitated by very low inflation, while their capital expenditure growth picked up between 2015 and 2016, as is the usual pattern at this point in the local election cycle.

The growth of social security expenditure covered by the national healthcare expenditure growth target (Ondam) should not be more than 1.8%, which would be the lowest figure since 1997. The Ondam early warning committee's latest opinion, dated 27 May 2016, deemed that the target set in the 2016 Social Security Budget Act should be met.

### ***Government revenue in 2016***

The revenue forecast for the current year is based on data about tax revenue collection in the early months of the year and the macroeconomic determinants of the tax base.

The estimates are based on the following items:

- Social contributions and levies account for approximately half of the aggregate tax and social security contributions. They are based primarily on wages and salaries<sup>4</sup>, which are now expected to grow by 2.6% in the non-farm private sector. This forecast is consistent with the latest wages and salaries data available.
- The forecast of value added tax revenue is based on 1.6% growth of the tax base, in accordance with revenue collection data as of the end of August.

(4) However, the growth of these contributions and levies may diverge from the growth of wages and salaries because of exemptions from payroll contributions, the specific dynamics of contributions paid by self-employed workers, and the fact that some social levies are based on investment income.

- The forecast for corporate income tax revenue is based on data available as of the end of August: The first two instalments and a large share of the remainder due have already been received. The growth of taxable earnings in 2015 will be slower than expected. Furthermore, the forecast incorporates the latest available data about the CICE tax credit. Even though data about the revenue impact of the tax credit are still incomplete, the data available as of the summer point to a decrease in its cost compared to previous forecasts. The CICE claimed on eligible wages and salaries in 2015, which is incorporated into the calculation of the 2016 government deficit, as defined by the Maastricht Treaty, will be lower than forecast.
- The forecast for personal income tax revenue is based on an analysis of preliminary tax assessments.
- The revenue collection forecast for the contribution on business value added (CVAE) is based on accounting data for May and the first instalment in mid-June.
- Forecasts for local direct tax revenue in 2016 rely mainly on the partial data available at this point in the year on changes in tax bases and decisions on tax rates.
- Monthly collection data concerning stamp duty (DMTO) at the end of August were consistent with a scenario of spontaneous increase, linked with historically low interest rates that stimulated the real estate market in 2015.
- The tax collection data from the Offshore Disclosure Unit (STDR) corroborates the revenue forecast of €2.4bn for the year as a whole.



## **Appendix**





# Status of country-specific recommendations 2016 - List of measures taken since the 2016 National Reform Programme

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
1	Ensure a durable correction of the excessive deficit by 2017 by taking the required structural measures and by using all windfall gains for deficit and debt reduction.	Measures aimed at bringing the public deficit down to less than 3% of GDP in 2017: <ul style="list-style-type: none"> <li>Savings plan affecting all general government sub-sectors</li> </ul> Supplementary measures in 2016 and 2017.		<p>The DBP and draft Social Security budget for 2017 include €14bn in financing measures for the new initiatives and spell out the €5bn in additional measures announced in the Stability Programme:</p> <ul style="list-style-type: none"> <li>Adjustment of the Responsibility and Solidarity Pact (€5bn)</li> <li>Social security funds' savings and other additional measures (€1.5bn)</li> <li>Downward revision of local government expenditure forecasts (€1bn)</li> <li>Debt servicing (central government) (€1.2bn)</li> <li>Revenue from fraud-fighting efforts (€1.9bn)</li> <li>Downward revision of disbursements under the Invest for the Future programme (€1.2bn)</li> <li>Revision of expenditure forecasts related to tax disputes (€0.7bn)</li> <li>Change in the collection method for certain corporate taxes (€1.3bn)</li> </ul>
		Devote all windfall revenue to deficit and debt reduction.	Art. 17 of the 2014-2019 Public Finance Planning Act.	Art. 17 of the 2014-2019 Public Finance Planning Act, outlined in the balancing item of the general budget in the 2017 DBP.
	Specify the expenditure cuts planned for the coming years and step up efforts to increase the amount of savings generated by the spending reviews, including on local government spending, by the end of 2016.	Comply with the deficit-reduction path, by defining the additional expenditure cuts and by offsetting new expenditure financing priorities.	Government property policy reform, streamlining operating expenditure, reforming housing benefits, standardising the index-linking rules for social benefits, efforts to rein in central government agency expenditure.	<p>Continued streamlining of central government operating expenses, efforts to rein in central government agency expenditure, payroll measures excluding priority ministries (almost 2,300 job cuts) and streamlining of government actions for €0.4bn (e.g. paperless electoral campaigns, regulations on housing benefits, etc.).</p> <p>2017 DBP: further reduction in central government transfers to local government in 2017 (€2.8bn).</p> <p>Continued rollout of the local government reform (e.g.: implementation of new intermunicipal arrangements, transfer of non-urban and school transport from the départements to the regions, transfer of powers as from 2017 from the départements to the new metropolitan areas that have been set up in 2016).</p>

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
1			<p>Continued improvement of the social security balance, thanks to:</p> <ul style="list-style-type: none"> <li>• The contained growth of healthcare expenditure through compliance with the national healthcare expenditure growth target (2.0% in 2015 followed by 1.8% in 2016)</li> <li>• The effects of the measures implemented under the agreement on supplementary pensions (Agirc-Arrco) signed on 30 October 2015</li> <li>• Measures implemented earlier in the Social Security Budget (i.e. means-testing of family allowance benefits)</li> </ul>	<p>- Savings on healthcare expenditure in 2017 (€4.1bn) underlying the construction of a national healthcare expenditure growth target at 2.1%, made possible by the implementation of the national healthcare strategy</p> <p>- Measures in the 2017 draft Social Security budget (savings of €1.5bn): continued mitigation of social contribution exemptions, increased tax on tobacco, measures to combat social security benefit and contribution fraud, increased reining in of the operating and social action expenditure of social security funds, ramping up of reforms initiated in previous years</p> <p>- Resumption of talks on a new unemployment benefit system expected by the government</p>
		Bolster reviews.	<p>Publication of the results of the 2015 spending reviews in the yellow background budget document (jaune), appended to the 2016 DBP (identification of savings of nearly €500m in the draft budgetary legislation for 2016, slated to reach €600m in 2017).</p> <p>Reviews published online.</p> <p>Spending reviews on 12 new areas in 2016. These reviews will feed into the 2017 budgetary legislation. Four spending reviews for 2016 relate to local government (subsidiary budgets and groupings of local governments, management of the VAT Compensation Fund (FCTVA), local governments' procurement function and local government assets).</p>	<p>Launch of the third phase of spending reviews, set out in the yellow background budget document appended to the 2017 DBP.</p>
	Reinforce independent public policy evaluations in order to identify efficiency gains across all sub-sectors of general government.	Continue government modernisation (MAP) through public policy assessments (EPPs).	<p>The 59 assessments launched in 2013-2014 have all been completed and generated savings of €7.1bn. 15 assessments were initiated in 2015, nine of which have been completed, and six new assessments have been started in 2016 to enable further savings to be made in 2017.</p> <p>All ministerial remits are covered as is local government which is the subject of half of all public policy assessments.</p> <p>Of the 80 assessments rolled out since December 2012, 68 had been completed as at 12 September 2016.</p>	<p>During the second half of 2016, the Secretariat General for Government Modernisation (SGMAP) is conducting a meta-assessment focusing on methodology and monitoring of the effects of the public policy assessments carried out since the end of 2012.</p>

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
2	Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness.	<p>Booster the Competitiveness and Employment Tax Credit (CICE) and maintain the Responsibility and Solidarity Pact.</p> <p>Implement the SME recruitment incentive programme (Embauche PME).</p> <p>Introduce, as part of the «Boosting employment in VSEs and SMEs Programme», the bonus for recruiting the first employee.</p> <p>Comply with rules governing adjustments of the statutory minimum wage to help boost employment, and ensure consistency with productivity and purchasing power gains.</p> <p>Set overtime pay scales by company-level agreement, without the rate being less than 10%.</p>	<p>An annual, lump sum bonus of €2,000 paid quarterly over a two-year period to companies with fewer than 250 employees that hire new employees on an open-ended or fixed-term contract of more than 6 months between 18 January and 31 December 2016 for wages up to 1.3 times the statutory minimum wage. Implementing decree of 26 January 2016.</p> <p>Decree 2015-806 of 3 July 2015 providing for the payment of an annual bonus of €2,000 paid quarterly over a two-year period for the first person recruited on an open-ended or fixed-term contract of over 12 months, extended to fixed-term contracts of over 6 months until 31 December 2016. The initiative has been merged with the SME recruitment incentive programme unveiled on 18 January 2016.</p> <p>Strict compliance with rules governing adjustments of the statutory minimum wage since 2012, in keeping with the recommendations made by the specialised group of experts: the government raised the minimum wage by 0.6% in January 2016, offering no extra rise (coup de pouce) in addition to legal mechanisms. This increase is in line with changes in labour productivity (2.1 % increase in 2015 in nominal terms). Decree 2015-1688 of 17 December 2015.</p> <p>Enactment of Act 2016-1088 of 8 August 2016 for Employment, Modernisation of Labour/ Management Dialogue and Strengthening of Safeguards for Employees (hereinafter the «Labour Act»).</p>	<p>As part of the 2017 DBP, the CICE will be increased from 6% to 7% of payrolls for wages up to two and a half times the statutory minimum wage. This will represent additional savings of €3.1bn for businesses in the long term.</p> <p>Extension of the programme for hiring new employees on an open-ended or fixed-term contract of more than 6 months between 1 January and 31 December 2017.</p>
		Clarify the redundancy procedure.	Setting out the criteria that could warrant redundancies that may vary depending on the size of the business (Labour Act).	
		Reform labour law to provide more incentives for employers to hire on open-ended contracts.		

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
2		Agreements for maintaining or increasing employment.	Option of reviewing work organisation by company-level agreement (including as regards duration and compensation) to maintain or increase employment (Labour Act).	
		Foster the execution of company-level agreements and enhance the quality of labour/management dialogue.	<p>Setting the scope of talks in which company-level agreements will take precedence over sector-wide agreements, subject to compliance with statutory standards (working hours, minimum wage) (Labour Act).</p> <p>Rolling out the majority agreement rule for company-level agreements: as from 1 January 2017 for company-level agreements concerning working hours and agreements for maintaining or increasing employment; as from 1 September 2019 for all agreements (Labour Act).</p> <p>Moving the drive to restructure occupational sectors forward (started by the Act of 5 March 2014) under the Labour Act, with the goal being to restructure collective bargaining agreements around 200 occupational sectors by 2019; by the end of 2016, merging of the sectors that have not signed any collective agreements for the last fifteen years or whose geographic scope is merely local or regional.</p>	<p>Continued recasting of the Labour Code to increase the reach of company-level agreements (Code to be re-drafted by a commission of experts by 2019, except for provisions on working hours already re-transcribed in the Act).</p> <p>By August 2019, merger of the sectors that have not signed any collective agreements during the seven years preceding enactment (Labour Act).</p>
		Introduce an indicative scale for compensation that labour tribunal judges can hand down.		Decree based on the Growth, Economic Activity and Equal Economic Opportunity Act of 6 August 2015.

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
3	Improve the links between the education sector and the labour market, in particular by reforming apprenticeships and vocational training, with emphasis on the low-skilled.	Implement the training plan.	Joint action by the government, regions, management and labour representatives and Pôle Emploi: 18 central government-regional government agreements have been executed. The operational and financial agreements are nearing completion. Since April, significantly more people have been signing up for training courses with enrolment up by between 50% and 130% compared to last year.	Under the emergency job plan of 18 January 2016, almost 500,000 additional places on schemes to get people into jobs and those to encourage mobility are planned, including 360,000 places for training job-seekers, 50,000 for vocational training contracts, 10,000 skills certification actions and heightened support for 70,000 new business projects.
		Implement the apprenticeship support plan.	29 April 2015: The Innovation for Apprenticeship Foundation (FIPA) was set up to broaden sandwich courses with greater involvement of companies.  Government departments have taken on five times more apprentices in the wake of the recruitment goals set at the Social Conference of July 2014 (500,000 for 2017).	As from September 2016, 6,000 apprentices taken on by government departments.
		Continue the reform of vocational training.	<ul style="list-style-type: none"> <li>- Publication in April 2016 of the annual report from the National Vocational Training and Guidance Council (CNEFOP) on the Personal Training Account (CPF) and career counsellors (CEP).</li> <li>- Publication of three decrees on skill sets (Decrees 2016-771 and 2016-772 of 10 June 2016 and Decree 2016-1037 of 28 July 2016).</li> <li>- Setting up internship placement centres in school districts and employment areas.</li> <li>- 51 campuses for professions and qualifications which provide companies operating in a given economic sector with a stable recruitment pool and allow the regions to establish «centres of excellence for training».</li> <li>- Signing on 30 March 2016 of a central government-regional government agreement on reciprocal commitments (plateforme) enhancing synergy between national and local stakeholders to ensure the consistency of local public policies on employment and training.</li> <li>- Appointing national sectoral advisers tasked with arranging, at national level, consultation with the relevant economic sectors on benchmark higher education diploma competency standards.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued harmonisation of the classification of training courses leading to qualifications.</li> <li>- As from the start of the 2017 academic year, vocational high schools will offer 500 new training courses that match the new requirements of the French economy and create jobs for young people (from occupational proficiency certificates (CAP) to higher technical certificates (BTS)).</li> <li>- As part of government modernisation (MAP), two public policy assessments were initiated at the end of 2015: one on the validation of professional and personal experience (VAE), with an eye to boosting the effectiveness of the arrangements to ensure greater equality between the regions and between the various qualifications. The second focuses on the vocational qualifications system and is aimed at improved regulation of the public and private offering and at streamlining and bolstering the standard of the process for building and recognising qualifications.</li> </ul>

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
3		Broaden eligibility for the Youth Guarantee.	Scheme expanded as from 1 January 2017 by the Labour Act (Article 46 - Article L.5131-6 of the Labour Code).	A decree adopted after consultation with the Conseil d'Etat (French Supreme Administrative Court) is pending publication to set out the conditions for application of the contractual support programme for employment and autonomy.
		Trial job-training contracts offered to job-seekers, including those dismissed on the grounds of unsuitability for the job and those recognised as disabled, in particular, the least well-qualified and those who are the farthest from finding a job.	Article 74 of the Labour Act provides for the trial-training contract for job-seekers to obtain qualifications other than those referred to in Article L.6314-1 of the Labour Code.	
		Implement the Personal Activity Account (CPA), particularly its training part.	Established by Article 39 of the Labour Act.	<p>Introduction of the Personal Activity Account (CPA) on 1 January 2017. This will comprise the Personal Training Account (CPF), the personal account for employees exposed to harsh working conditions and a new Civic Engagement Account (CEC).</p> <p>The CPA will ensure that rights are convertible based on the conditions for each account and will offer online services.</p> <p>The Act introduces new rights:</p> <p>Entitlement to a CPF is extended to all employees aged 16 and over (including self-employed workers and pensioners).</p> <p>For low-skilled workers, credits to the CPF are increased to 48 hours per year, up to a maximum of 400 hours.</p> <p>The Act also creates a CEC listing unpaid and voluntary work leading to the accrual of hours of training (potential gateway with the CPF).</p> <p>An order pending publication will introduce a CPA for civil servants (Article 44 of the Act).</p> <p>Broadening of the CPF to include self-employed workers as from 1 January 2018.</p>



Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
3	By the end of 2016, take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.	Negotiate a new unemployment insurance agreement.	<p>On 22 February 2016, the management and labour representatives, that autonomously manage unemployment insurance, began talks to renew the unemployment insurance agreement that expired on 1 July 2016.</p> <p>The main issues addressed were:</p> <ul style="list-style-type: none"> <li>(i) Incentives to return to work by revising the rules for setting the benchmark daily wage, which is the basis for calculating the daily allowance.</li> <li>(ii) Limiting the spread of short-term contracts and situations of permittance (when intermittently employed entertainment workers have a long-term contract) by more widely levying additional contributions on short-term contracts.</li> <li>(iii) Reform of conditions for workers aged over 50.</li> <li>(iv) Reform of the special arrangements for intermittently employed entertainment workers (Appendices VIII and XI).</li> </ul> <p>Whilst management and labour did reach an agreement on the special arrangements for intermittently employed entertainment workers, there was no consensus on the other issues.</p> <p>Pursuant to legislation, in the absence of an agreement between management and labour, the implementing measures for the unemployment insurance scheme are decided on by the government, by a decree adopted after consultation with the Conseil d'Etat. In July, the government wrote the agreement executed on 28 April 2016 by management and labour on the arrangements for intermittently employed entertainment workers into law. The remainder of the 2014 agreement was renewed to ensure the continuity of the scheme and of unemployment benefits.</p>	Talks held before the summer were inconclusive. Since then, a consultation has been launched at the initiative of the Minister for Labour. An agreement could be reached by the year-end or early next year. In the absence of an agreement, the government will be responsible for adopting a decree regulating unemployment insurance conditions.

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
4	Remove barriers to activity in the services sector, in particular in business services and regulated professions.	Ease the practice requirements for certain regulated professions.	Four decrees adopted on 29 June 2016 regarding barristers before the Conseil d'Etat and the Court of Cassation, lawyers, notaries, bailiffs, court-appointed auctioneers and valuers, court-appointed administrators and receivers.  Two orders adopted on 16 September 2016 identifying 247 free set-up areas for notaries and specifying the list of documents to present for an application to be nominated as notary in a practice to be set up.	
		Ease ownership rules for certain regulated professions, including some health professions.	Décrets des 29 juin 2016 et 1 <sup>er</sup> juillet 2016 sur les professions du droit et du chiffre, les architectes et les géomètres-experts.  Loi n°2016-41 du 26 janvier 2016 de modernisation de notre système de santé, qui prévoit l'ouverture du capital des sociétés d'exercice libéral exploitant une pharmacie aux pharmaciens adjoints qui sont des salariés des officines.  Parution du décret n°2016-44 du 26 janvier 2016, permettant la constitution de sociétés de participations financières de profession libérale de biologistes médicaux (holdings financières pour les laboratoires).	Décret d'application de la loi n°2016-41 en cours de finalisation.  Deux projets de décret (un pour les professions médicales et un pour les auxiliaires médicaux) sont en cours d'élaboration, en concertation avec les acteurs concernés, pour permettre la création de sociétés de participations financières pour ces professions et assouplir certaines contraintes liées à l'ouverture du capital de certaines sociétés d'exercice libéral ou au cumul d'exercice d'activités d'un même professionnel au sein de plusieurs sociétés et à titre individuel.
		Bolster the joint practice of several professions for certain entities.	Bill ratifying Order 2016-394 of 31 March 2016 on the incorporation of group practices in several professions and referred to the National Assembly's Constitutional Acts, Legislation and General Administration Committee (23 August 2016).	
		Continue the review of professional qualifications.	Article 43 of the Transparency, Anti-Corruption and Economic Modernisation Bill eases the qualification obligations for the craft professions and trades (option of carrying on a related profession, acknowledgment of partial and facilitated access to the validation of professional and personal experience (VAE)).	This Article was compliantly passed by both Houses at first reading and cannot be amended. After a second reading in the Senate, this Bill is slated to be enacted in early December 2016.



Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
4	Take steps to simplify and improve the efficiency of innovation policy schemes.	Continue the assessment of innovation support schemes.	<ul style="list-style-type: none"> <li>- Launch in mid-2016 of an invitation to tender by the French Innovation Policy Assessment Commission (CNEPI), via France Stratégie, to assess the research tax credit (CIR).</li> <li>- Ongoing assessment of the CIR funded by the Ministry for Primary, Secondary and Higher Education and Research.</li> <li>- Assessment of clusters at France Stratégie (C. Mathieu, H. Ben Hassine).</li> <li>- In January 2016, the CNEPI published an initial report entitled «Quinze ans de politiques d'innovation en France» which includes a comparative map of the various innovation support schemes between 2000 and 2015.</li> <li>- Publication of the scorecard on innovation in France in July 2016.</li> <li>- Suzanne Berger's report on innovation support schemes, that aims to shed light on «best innovation practices» and provide public policy recommendations in this respect, was published in January 2016.</li> <li>- A mid-term assessment report of the Invest for the Future programme was published by a committee of independent experts in March 2016.</li> </ul>	Examination of the applications for the invitation to tender to assess the CIR on 26 September 2016. Innovative start-ups: A qualitative survey is under way. Its results will be published this autumn by the Directorate General for Enterprise.
	By the end of 2016, further reform the size-related criteria in regulations that impede companies' growth and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.	<p>Make it easier to change from sole trader (entrepreneur individuel) status to another status particularly that of limited liability sole proprietorship (EURL).</p> <p>Facilitate business creation by regulating the training course prior to business start-up and removing the requirement for micro-entrepreneurs to open a business bank account.</p>	<p>Article 40 of the Transparency, Anti-Corruption and Economic Modernisation Bill makes it easier to change to EURL status by cutting the accounting red tape involved. The same applies to the change to single-member private company (société unipersonnelle) status (Art. 41, 42 bis and 46 ter).</p> <p>Transparency, Anti-Corruption and Economic Modernisation Bill: removal of the second bank account requirement (only for the first year of business).</p>	After a second reading in the Senate, this Bill is slated to be enacted in early December 2016.
		Continue efforts to ease the burden of regulations on businesses.	Multiyear streamlining programme. 415 measures announced. In February 2016, 56% of the measures were effective.	«France Expérimentation» call for projects initiated in early July. The first applications are currently being examined.

Recommendation	Sub-recommendation	Measure	Done	In progress/ pending
5	Take action to reduce the taxes on production and the corporate income statutory rate while broadening the tax base on consumption, in particular as regards VAT.	Reduce the corporate income tax rate for SMEs.		This measure is set out in the initial text of the 2017 DBP. The corporate income tax rate will be reduced to 28% in four stages for all businesses. As from 2017, the rate will be 28% for all SMEs up to maximum profits of €75,000. In 2020, the 28% rate will be extended to cover all businesses and all their profits.
		Extend the higher depreciation allowance measure for certain investments.		As part of the Digital Republic Bill, it is suggested that the measure be extended until 14 April 2017 and to include IT equipment items.
		Continue the scaling up of the climate-energy tax.		2017 DBP.
	Remove inefficient tax expenditures, remove taxes that are yielding little or no revenue and adopt the withholding personal income tax reform by the end of 2016.	Introduce withholding at source of personal income tax.		Cette mesure sera présentée en texte initial du PLF 2017.
		Introduce a cap on tax expenditure, conduct reviews of tax expenditure and include tax expenditure in spending reviews.	The 2014-2019 Public Finance Planning Act of 29 December 2014 establishes a cap on tax expenditure and tax credits, provides for tax expenditure to be reviewed within three years of being introduced and sets out the rationale for its maintenance. Inclusion of tax expenditure in the spending review as from 2015. The 2016 spending review includes an assessment of free trade zones.	
		Remove inefficient tax expenditure.	Article 118 of Act 2015-1785 of 29 December 2015 (2016 Initial Budget Act) abolishes the so-called «old Malraux» scheme provision as from 1 January 2018. The removal of this inefficient tax provision should result in savings of €3m as of 2018.	Two articles concerning the elimination of small tax expenditure and low-yield taxes are set out in the initial text of the 2017 DBP and are expected to generate savings of €249m in 2018.

## **Detailed forecast tables**



**Table 1: Resources and uses of goods and services**  
**Nominal gross domestic product and components**

	2015	2016	2017	
NOMINAL GROSS DOMESTIC PRODUCT (GDP) - level in billions	2 181.1	2 232.2	2 286.9	
	Level in Bn€	Volume		
		Rate of change	Rate of change	Rate of change
RESOURCES				
Real gross domestic product	2 181.1	1.3	1.5	1.5
Imports	685.0	6.6	2.1	4.0
TOTAL RESOURCES	2 866.0	2.5	1.6	2.1
USES				
Private consumption expenditure	1 201.5	1.5	1.8	1.6
Government consumption expenditure	521.8	1.4	0.7	0.6
Gross fixed capital formation (GFCF)	469.2	1.0	2.7	3.1
- GFCF of Non-financial enterprises	262.7	2.8	3.8	3.5
- GFCF of Households excluding self-employed	107.6	-0.8	0.4	2.6
- GFCF of General Government	75.3	-3.8	2.4	2.6
Exports	654.9	6.1	0.9	3.5
Changes in inventories and net acquisitions of valuables	18.6			
TOTAL USES	2 866.0	2.5	1.6	2.1
Contributions to real GDP growth				
Final domestic demand excluding inventories		1.4	1.8	1.7
Changes in inventories and net acquisitions of valuables		0.1	0.1	0.0
Net foreign trade		-0.3	-0.4	-0.2

**Table 2: Resources and uses of goods and services - price developments**

	2015	2016	2017
	Rate of change	Rate of change	Rate of change
<b>RESOURCES</b>			
Gross domestic product	0.6	0.9	0.9
Imports	-3.0	-2.9	0.6
<b>TOTAL RESOURCES</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.8</b>
<b>USES</b>			
Private consumption expenditure	-0.2	0.1	0.9
Government consumption expenditure	-0.2	0.1	0.5
Gross fixed capital formation	-0.3	0.6	1.0
Exports	-0.4	-1.3	0.8
<b>TOTAL USES</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.8</b>
<b>OTHER PRICES INDICES - annual average</b>			
Consumer Price Index (CPI)	0.0	0.1	0.8
Consumer Price Index excluding tobacco	0.0	0.1	0.8
Harmonized Index of Consumer Prices (HICP)	0.1	0.2	0.9

Table 3: Sectoral balances – Net lending (+)/ borrowing (-)				
	2014	2015	2016	2017
	pp of GDP	pp of GDP	pp of GDP	pp of GDP
<b>NET LENDING (+)/ BORROWING (-) vis-à-vis the rest of the world</b>	<b>-3.3</b>	<b>-2.0</b>	<b>-1.8</b>	<b>-1.8</b>
<i>Of which:</i>				
- Balance of goods and services	-2.0	-1.4	-1.2	-1.3
- Balance of primary incomes and transfers	-1.2	-0.6	-0.6	-0.5
- Capital account	0.0	0.0	0.0	0.0
<b>NET LENDING (+)/ BORROWING (-) of the private sector</b>	<b>0.7</b>	<b>1.5</b>	<b>1.5</b>	<b>0.9</b>
<i>Of which:</i>				
- Households	3.2	3.4	3.4	3.3
- Non financial corporations	-2.6	-1.7	-1.4	-2.0
<b>NET LENDING (+)/ BORROWING (-) OF GENERAL GOVERNMENT*</b>	<b>-4.0</b>	<b>-3.5</b>	<b>-3.3</b>	<b>-2.7</b>

(\*) According to the Maastricht definition.

Table 4: French external trade				
	2014	2015	2016	2017
	Level in Bn€	Level in Bn€	Level in Bn€	Level in Bn€
<b>TOTAL GROSS TRADE BALANCE CIF-FOB</b>	<b>-73.2</b>	<b>-60.2</b>	<b>-59.8</b>	<b>-63.4</b>
<i>Of which:</i>				
- Manufacture of food products	2.7	2.6	2.1	1.9
- Energy	-54.8	-39.7	-29.6	-32.0
- Industry	-23.8	-26.6	-35.9	-37.3
Total trade balance FOB-FOB - in level	-58.7	-45.7	-45.3	-48.9
Total trade balance FOB-FOB - in pp of GDP	-2.8	-2.1	-2.0	-2.1
<b>COMMERCIAL BALANCE EXCLUDING ENERGY AND MILITARY EQUIPMENT - in level CIF-FOB</b>	<b>-21.6</b>	<b>-24.1</b>	<b>-34.0</b>	<b>-35.5</b>

**Table 5: Non financial Corporations – Detailed data**

	2014	2015	2016	2017
	Level in Bn€	Rate of Change	Rate of Change	Rate of Change
<b>GROSS VALUE ADDED</b>	<b>1 083.6</b>	<b>2.4</b>	<b>3.2</b>	<b>2.6</b>
Compensations of employees	719.8	1.6	2.5	2.8
<b>Ratio: compensations of employees / Gross Value Added – level in %</b>	66.4	65.9	65.5	65.6
Taxes on production	60.1	0.0	0.5	4.8
Subsidies on production	-25.3	20.1	3.3	11.8
<b>Gross operating surplus (GOS)</b>	329.0	6.1	5.0	2.6
<b>Ratio – Gross operating surplus / Gross Value Added: margin rate of non-financial corporations – level in %</b>	30.4	31.4	32.0	32.0
Property income paid	276.3	-2.7	-3.2	11.2
Property income received	200.1	2.0	-2.4	10.0
Taxes on income and wealth	39.4	-1.2	0.3	4.1
<b>GROSS SAVING</b>	<b>187.8</b>	<b>16.6</b>	<b>9.4</b>	<b>-0.7</b>
<b>Ratio: Saving Rate (Gross Saving / Gross Value Added) – level in %</b>	17.3	19.7	20.9	20.2
Gross fixed capital formation (GFCF)	247.0	2.7	4.7	4.8
<b>Ratio: Self-financing rate (Saving / GFCF) – level in %</b>	76.0	86.3	90.1	85.4
<b>Ratio: Investment rate (GFCF / Gross Value Added) – level in %</b>	22.8	22.9	23.2	23.7
Changes in inventories <sup>(1)</sup>	15.0	19.8	23.1	23.8
<b>NET LENDING (+) / BORROWING (-) – in level. pp of Gross Value Added</b>	<b>-5.1</b>	<b>-3.3</b>	<b>-2.7</b>	<b>-3.9</b>

(1) Changes in inventories - level in billions.

**Table 6: Households - Income Accounts**

	2014	2015	2016	2017
	Level in Bn€	Rate of change	Rate of change	Rate of change
<b>RESOURCES</b>				
Wages and salaries	828.8	1.6	2.2	2.4
- Employees' social contributions	117.5	2.8	3.2	3.1
Wages and salaries (net of employees' social contributions)	711.3	1.4	2.1	2.3
Mixed income (mainly self-employed)	116.9	2.4	1.2	2.8
Gross operating surplus (excluding self-employed)	171.9	0.1	1.7	2.9
Social benefits in cash	468.3	1.9	1.8	1.3
Property incomes	126.7	-3.5	-1.9	8.3
Other resources	68.1	3.8	2.3	2.4
<b>USES</b>				
Social contributions by self-employed and non-employed persons	31.0	-1.0	-1.3	-0.5
Current taxes on income and wealth	212.4	1.7	1.5	2.1
Property income paid (paid interests)	16.4	-18.6	-28.2	41.6
Other uses	70.5	0.6	2.3	2.4
<b>Gross Disposable Income (GDI)</b>	<b>1 332.8</b>	<b>1.4</b>	<b>2.0</b>	<b>2.4</b>

Table 7: Households - From disposable income to net lending				
	2014	2015	2016	2017
	Level in Bn€	Rate of change	Rate of change	Rate of change
<b>GROSS DISPOSABLE INCOME (GDI)</b>	<b>1 332.8</b>	<b>1.4</b>	<b>2.0</b>	<b>2.4</b>
Purchasing power of GDI	0.7	1.6	1.9	1.5
Final consumption expenditure	1 140.9	1.3	1.9	2.5
	<b>191.9</b>	<b>2.1</b>	<b>2.3</b>	<b>2.0</b>
<b>GROSS SAVING</b>	<b>14.4</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>
<b>GLOBAL SAVING RATE ( Gross saving/ GDI) – in level</b>	117.4	-0.6	1.2	3.7
Gross fixed capital formation (GFCF)	5.2	-9.7	62.5	-4.6
Other net uses	<b>69.4</b>	<b>74.6</b>	<b>74.8</b>	<b>74.7</b>
<b>NET LENDING (in billion €)</b>				
<b>FINANCIAL SAVING RATE (Net lending / GDI) – in level</b>	<b>5.2</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>

Table 8: International Environment - Basic assumptions			
	2015	2016	2017
Short-term interest rate (annual average)	0.0	-0.2	0.0
Long-term interest rate (annual average)	0.8	0.4	0.9
USD/€ exchange rate (annual average)	1.11	1.11	1.12
Nominal effective exchange rate of the French economy	-3.9	1.4	-0.2
World GDP growth (excluding EU)	3.3	3.3	3.7
Growth of relevant foreign markets	3.9	2.7	3.6
World imports (excluding EU)	0.7	0.0	2.8
Oil prices (Brent, USD / barrel)	53	42	45

Table 9: International Environment Detailed forecasts of the GDP growth				
	2014	2015	2016	2017
	Level* (Bn USD)	Rate of change	Rate of change	Rate of change
France	2 843	1.3	1.5	1.5
United Kingdom	2 992	2.2	1.7	1.2
European Union (28 countries)	18 540	2.2	1.9	1.7
Euro area	13 430	2.0	1.6	1.5
Euro area excluding France	10 587	2.2	1.7	1.5
United States	17 348	2.6	1.5	2.1
Japan	4 596	0.6	0.5	1.3

(\*) System of National Accounts 2008 (2008 SNA) for the United States; 2008 SNA / European System of Accounts (ESA 2010) for France, United Kingdom, the euro area and the EU while those of Japan are in 1993 SNA.



**Table 10: International Environment - Consumer price Index**

	2014	2015	2016	2017
France	0.5	0.0	0.1	0.8
United Kingdom	1.5	0.0	0.7	2.2
Euro area	0.4	0.0	0.2	1.1
United States	1.6	0.1	1.2	2.0
Japan	2.7	0.8	-0.1	-0.1

**Table 11: Labour market developments**

	2015	2015	2016	2017
	Level	Rate of change	Rate of change	Rate of change
<b>Employment, persons<sup>1</sup> - Total economy - Annual average</b>	27 523	0.5	0.8	0.7
Employment, persons - Metropolitan France, all sectors - Annual average, thousands of persons <sup>2</sup>	26 760	95	211	199
Employment, persons - Metropolitan France. Non-farm market sector - Annual average <sup>2</sup>	15 897	0.0	0.8	1.0
Employment, persons - Metropolitan France. Non-farm market sector – YoY, thousands of persons <sup>2</sup>	15 963	97	131	153
<b>Compensations of employees - Total economy</b>	1 136,8	1.3	2.0	2.5
Wages and salaries per employee - Non-farm market sector		1.6	1.6	1.7
<b>Labour productivity - Total economy<sup>3</sup></b>		0.8	0.7	0.8

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

(2) Localized employment estimates (Estel data).

(3) Productivity per person employed (Real GDP / total Employment).

**Table 12: Real and potential GDP growth**

	2015	2016	2017
	Rate of change	Rate of change	Rate of change
<b>Actual GDP growth</b>	1.3	1.5	1.5
<b>Potential GDP growth</b>	1.1	1.5	1.5
Contributions:			
- Labour (total hours worked)	0.2	0.3	0.3
- Capital	0.5	0.6	0.6
- Total Factor Productivity (TFP)	0.4	0.4	0.4
- Effect of structural reforms	0.0	0.2	0.2
<b>Output gap (in pp of potential GDP)</b>	-2.8	-2.8	-2.8

Table 13: General government budgetary targets broken down by subsector				
	ESA Code	2015	2016	2017
		% GDP	% GDP	% GDP
Net lending (+) / net borrowing (-) ( B.9) by sub-sector				
1. General government	S.13	-3.5	-3.3	-2.7
2. Central government	S.1311	-3.3	-3.3	-3.0
3. State government	S.1312	-	-	-
4. Local government	S.1313	0.0	0.0	-0.1
5. Social security funds	S.1314	-0.2	0.0	0.4
6. Interest expenditure	D.41	2.0	1.8	1.8
7. Primary balance (1 + 6)		-1.5	-1.4	-0.9
8. One-off and other temporary measures*		0.0	-0.1	-0.1
9. Real GDP growth (%)		1,3	1,5	1,5
10. Potential GDP growth (%)		1,1	1,5	1,5
11. Output gap (% of potential GDP)		-2.8	-2.8	-2.8
12. Cyclical budgetary component (% of potential GDP)		-1.6	-1.6	-1.6
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-1.9	-1.7	-1.1
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		0.1	0.2	0.7
15. Structural balance (13 - 8) (% of potential GDP)		-1.9	-1.6	-1.1

(\*) A plus sign means deficit-reducing one-off measures.

**Table 14: General government debt developments**

	ESA Code	2015	2016	2017
		% GDP	% GDP	% GDP
1. Gross debt <sup>1</sup>		96.2	96.1	96.0
2. Change in gross debt ratio		0.8	-0.1	-0.1
<b>Contributions to changes in gross debt</b>				
3. Primary deficit	D.41	1.5	1.4	0.9
4. Interest expenditure		2.0	1.8	1.8
5. Stock-flow adjustment		-0.9	-1.2	-0.5
<i>Of which:</i>				
- Differences between cash and accruals <sup>2</sup>				
- Net accumulation of financial assets <sup>3</sup>				
<i>Of which:</i>				
- privatisation proceeds				
- Valuation effects and other <sup>4</sup>				
p.m.: Implicit interest rate on debt <sup>5</sup>		2.1	2.0	1.9
<i>Other relevant variables</i>				
6. Liquid financial assets <sup>6</sup>				
7. Net financial debt (7=1-6)				
8. Debt amortization (existing bonds) since the end of the previous year				
9. Percentage of debt denominated in foreign currency				
Average maturity				

[1] As defined in Regulation 479/2009.

[2] The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

[3] Liquid assets (currency), government securities, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

[4] Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

[5] Proxied by interest expenditure divided by the debt level of the previous year.

[6] Liquid assets are here defined as AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), A.F511, AF.52 (only if quoted in stock exchange).

**Table 15: Contingent liabilities**

	2015	2016	2017
	% GDP	% GDP	% GDP
Public guarantees* <i>Of which: linked to the financial sector</i>	8.6%		

(\*) It corresponds to guarantees provided by the central government within financial laws, under clearly defined agreements as regards loans. It is worth noticing that the debt of the Unedic, which is a public administration, is already included into the Maastricht debt (its guaranteed debt, which is included here, represents around 0.5 pt of GDP). Moreover, following Eurostat's decision (27th of January 2011), the Member States' guarantees for the EFSF loans are already recorded as part of their Maastricht debt in proportion to their guarantee (it represents around 1.9 pt of GDP).

**Table 16 : General government expenditure and revenue projections in ESA 2010 at unchanged policies broken down by main components**

General government (S13)	ESA Code	2015	2016	2017
		% GDP	% GDP	% GDP
1. Total gross revenue at unchanged policies	TR	<b>53.5</b>	<b>53.1</b>	<b>52.9</b>
Of which				
1.1. Taxes on production and imports	D.2	15.9	15.9	15.9
1.2. Current taxes on income, wealth, etc	D.5	12.6	12.4	12.3
1.3. Capital taxes	D.91	0.6	0.6	0.6
1.4. Social contributions	D.61	18.9	18.8	18.8
1.5. Property income	D.4	0.7	0.7	0.7
1.6. Other		4.7	4.8	4.7
p.m.: Tax burden		44.6	44.4	44.1
2. Total expenditure at unchanged policies (including tax credits)	TE	<b>57.0</b>	<b>56.4</b>	<b>55.6</b>
Of which				
2.1. Compensation of employees	D.1	12.9	12.7	12.6
2.2. Intermediate consumption	P.2	5.1	5.0	4.8
2.3. Social payments	D.62, D.63	26.0	25.9	25.6
of which Unemployment benefits		1.5	1.5	1.4
2.4. Interest expenditure	D.41	2.0	1.8	1.8
2.5. Subsidies	D.3	2.5	2.6	2.5
2.6. Gross fixed capital formation	P.51	3.5	3.5	3.5
2.7. Capital transfers	D.9	1.0	0.9	1.0
2.8. Other		3.9	4.0	3.8

**Table 17: General government expenditure and revenue targets, broken down by main components**

General government (S13)	ESA Code	2015	2016	2017
		% GDP	% GDP	% GDP
1. Total gross revenue target	TR	<b>53.5</b>	<b>53.1</b>	<b>53.2</b>
Of which				
1.1. Taxes on production and imports	D.2	15.9	15.9	16.0
1.2. Current taxes on income, wealth, etc.	D.5	12.6	12.4	12.4
1.3. Capital taxes	D.91	0.6	0.6	0.6
1.4. Social contributions	D.61	18.9	18.8	18.8
1.5. Property income	D.4	0.7	0.7	0.7
1.6. Other		4.7	4.8	4.7
p.m.: Tax burden		44.6	44.4	44.4
2. Total expenditure target (including tax credits)	TE	<b>57.0</b>	<b>56.4</b>	<b>55.9</b>
Of which				
2.1. Compensation of employees	D.1	12.9	12.7	12.6
2.2. Intermediate consumption	P2	5.1	5.0	4.9
2.3. Social payments	D.62.D.63	26.0	25.9	25.6
of which Unemployment benefits		1.5	1.5	1.4
2.4. Interest expenditure	D.41	2.0	1.8	1.8
2.5. Subsidies	D.3	2.5	2.6	2.7
2.6. Gross fixed capital formation	P51	3.5	3.5	3.5
2.7. Capital transfers	D.9	1.0	0.9	1.0
2.8. Other		3.9	4.0	3.9

**Table 18: Amounts to be excluded from the expenditure benchmark**

	2015	2015	2016	2017
	Level (Bn €)	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue				
2. Cyclical unemployment benefit expenditure	33.1	0.0	0.0	0.0
3. Effect of discretionary revenue measures	973.2	-0.1	-0.2	-0.1
4. Revenue increases mandated by law				

Table 19: General government expenditure by function*	
	% of GDP
1. General public services	6.7
2. Defense	1.7
3. Public order and safety	1.6
4. Economic affairs	5.1
5. Environmental protection	1.0
6. Housing and community amenities	1.4
7. Health	8.2
8. Recreation, culture and religion	1.5
9. Education	5.5
10. Social protection	24.8
11. Total Expenditure	57.5

Source: Eurostat, 2014.

(\*) Eurostat data are not fully updated. In particular, the 2014 GDP has been revised, with an impact on the expenditure ratios. Taking into account the last Insee data, the total expenditure ratio amounts to 57.3% of GDP.

Table 20: Divergence from latest SP				
	ESA Code	2015	2016	2017
		% GDP	% GDP	% GDP
Target general government net lending/ net borrowing	B.9			
Stability Programme		-3.5	-3.3	-2.7
Draft Budgetary Plan		-3.5	-3.3	-2.7
Difference		0.0	0.0	0.0
General government net lending projection at unchanged policies	B.9			
Stability Programme		-3.5	-3.3	-2.9
Draft Budgetary Plan		-3.5	-3.3	-2.7
Difference*		0.0	0.0	0.2

(\*) This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures taken between the submission of the SP and the submission of the DBP. Differences are expected due to the fact that the no-policy change scenario is defined differently for the purpose of this Code of Conduct with respect to the Stability Programme.

**Table 21: Methodological aspects**

Estimation Technique	Step of the budgetary process for which it was used	Relevant features of the model/ technique used
<b>MESANGE<sup>1</sup></b>	Macroeconometric model, used for the analysis of the impact of measures on growth	Vector error correction model (VECM) estimated on the national accounts of INSEE
<b>Opale<sup>2</sup></b>	Macroeconomic forecasts for 2015-2016, on which are based the public finance forecasts presented in the Draft Budgetary Plan	Vector error correction model (VECM) estimated on the national accounts of INSEE
<b>Guyon-Sorbe<sup>3</sup></b>	Structural effort decomposed by general government subsector	Module of decomposition of the structural balance

(1) See « Le modèle MESANGE réestimé en base 2000 », mars 2010, document de travail de la DESE de l'Insee et de la DGTrésor.

(2) See « La maquette de prévision OPALÉ », décembre 2010, document de travail de la DG Trésor 2010/07.

(3) See « Solde structurel et effort structurel: vers une décomposition par sous-secteur des administrations publiques », décembre 2009, document de travail de la DGTrésor 2009/13.

**Table 22: Multiyear public finance trajectory**

(% of GDP)	2015	2016	2017	2018	2019	2020
<b>General government balance (Maastricht definition)</b>	<b>-3.5</b>	<b>-3.3</b>	<b>-2.7</b>	<b>-2.0</b>	<b>-1.2</b>	<b>-0.6</b>
<i>Of which State</i>	-3.3	-3.3	-3.0			
<i>Of which Other central government bodies</i>	-0.1	-0.1	0.0			
<i>Of which Local governments</i>	0.0	0.0	-0.1			
<i>Of which Social security funds</i>	-0.2	0.0	0.4			
Cyclical balance	-1.6	-1.6	-1.6	-1.4	-1.0	-0.7
One-off and other temporary measures (% of potential GDP)	0.0	-0.1	-0.1	-0.1	0.0	0.0
Structural balance (% of potential GDP)	-1.9	-1.6	-1.1	-0.6	-0.1	0.1
<b>Structural adjustment</b>	<b>0.4</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.2</b>
Nominal growth rate of expenditures excluding tax credits (%)	0.8	1.4	1.6	1.6	1.8	1.8
Real government expenditure rate excluding tax credits (%)	0.8	1.3	0.8	0.2	0.0	0.0
General government expenditures excluding tax credits (% PIB)	55.5	55.0	54.6	53.8	52.8	51.8
Tax burden excluding tax credits (% PIB)	44.7	44.5	44.5	44.3	44.2	43.8
Government debt (Maastricht definition)	96.2	96.1	96.0	95.1	92.9	90.1
Government debt (excluding financial support for the euro area)	93.1	93.1	93.1	92.2	90.2	87.5

<b>Table 23: In-Year quarterly budgetary execution on cash basis for the general government and its sub-sectors</b>		
In Bn€ for 2016	Quarter 1	Semester 1
<b>Overall balance by sub-sector</b>		
General government		
Central government*	-27.5	-61.8
State government		
Local government	-12.6	0.2
Social security funds	-4.4	-7.3
<b>Total revenues / inflows</b>		
Local government	41.2	126.7
Social security funds	91.7	187.2
<b>Total expenditures / outflows</b>		
Local government	53.7	126.5
Social security funds	96.1	194.5

(\*) Monthly report June 30: [http://www.performance-publique.budget.gouv.fr/ressources-documentaires/documentation-budgetaire/situation-mensuelle-budget-etat/situation-mensuelle-budget-etat-en-2016#.V\\_TZLJWa3PR](http://www.performance-publique.budget.gouv.fr/ressources-documentaires/documentation-budgetaire/situation-mensuelle-budget-etat/situation-mensuelle-budget-etat-en-2016#.V_TZLJWa3PR)

Table 24: In-Year quarterly budgetary execution in accordance with ESA standards for the general government and its sub-sectors			
In Bn€	ESA Code	2016	
		1st quarter	2nd quarter
Overall balance by sub-sector			
General government*	S.13	-18.6	-17.5
Central government	S.1311		
State government	S.1312		
Local government	S.1313		
Social security funds	S.1314		
For general government			
Total of revenues	TR	294.6	296.4
Total of expenses	TE	313.3	313.9

(\*) CF. [http://www.insee.fr/fr/themes/theme.asp?theme=16&sous\\_theme=8&type=2&nivgeo=0&page=publications.html](http://www.insee.fr/fr/themes/theme.asp?theme=16&sous_theme=8&type=2&nivgeo=0&page=publications.html)