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COMMISSION STAFF WORKING DOCUMENT

Analysis of the 2017 draft budgetary plan of France

Accompanying the document

COMMISSION OPINION

on the 2017 draft budgetary plan of France

{C(2016) 8007 final}

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1. INTRODUCTION

France has submitted its Draft Budgetary Plan for 2017 on 14 October in compliance with Regulation (EU) No 473/2013 of the Two-Pack. France is currently subject to the corrective arm of the Pact. The Council opened the Excessive Deficit Procedure for France on 27 April 2009 and recommended France to correct its excessive deficit by 2012, a deadline which was extended to 2013 on 2 December 2009. On 21 June 2013, the Council concluded that France had taken effective action but adverse economic events with major implications on public finances had occurred, and issued a revised recommendation with a deadline to correct the excessive deficit by 2015. On 10 March 2015, the Council concluded that the available evidence did not allow to conclude on no effective action and that the considerable deterioration in the budgetary position resulting from the weaker overall position of the economy suggested that a revised recommendation for France was justified and recommended France to correct its excessive deficit by 2017.

Section 2 of this document presents the macroeconomic outlook underlying the Draft Budgetary Plan and provides an assessment based on the Commission 2016 autumn forecast. The following section presents the recent and planned fiscal developments, according to the Draft Budgetary Plan, including an analysis of risks to their achievement based on the Commission 2016 autumn forecast. In particular, it also includes an assessment of the measures underpinning the Draft Budgetary Plan. Section 4 assesses the recent and planned fiscal developments in 2016-2017 (also taking into account the risks to their achievement) against the obligations stemming from the Stability and Growth Pact. Section 5 provides an analysis of implementation of fiscal-structural reforms in response to the latest country-specific recommendations adopted by the Council in the spring 2016, including those to reduce the tax wedge. Section 6 summarises the main conclusions of the present document.

2. MACROECONOMIC DEVELOPMENTS UNDERLYING THE DRAFT BUDGETARY PLAN

The macroeconomic scenario underlying the Draft Budgetary Plan (DBP) for 2017 forecasts GDP growth at 1.5% in both 2016 and 2017, unchanged compared to the April Stability Programme. Growth is projected to be mainly supported by a dynamic private consumption and, to a lesser extent, by a pick-up in investment. In particular, households' purchasing power will continue to increase strongly in 2016 on the back of increasing property income, dynamic real wage developments as well as continued employment growth supported by the economic recovery and by policy measures (Tax Credit for Competitiveness and Employment, Responsibility and Solidarity Pact, Hiring Subsidy). In a context of rising inflation, households' purchasing power is expected to decelerate in 2017 as real wage growth slows down. In line with these developments, private consumption is expected to grow by 1.8% in 2016 and to decelerate to 1.6% in 2017. Household investment is expected to gradually become a stronger support for growth as the difficulties in the construction sector slowly resolve and households benefit from the expansion of the zero-interest loan scheme. Corporate investment is set to grow dynamically in 2016, supported by the over-amortization scheme, a fiscal incentive for firms to invest, and improved profit margins, before slowing down in 2017 as a result of the uncertainty induced by the outcome of the British referendum. In total, investment growth is projected to pick up to 2.7% in 2016 and to accelerate to 3.1% in 2017. Finally, net exports are expected to weigh on growth, as exports suffer from the deterioration of the external environment in 2016 as well as from the consequences of the British referendum in 2017 while imports remain more dynamic. The DBP projects that inflation, measured by the national consumer price index, will remain close to zero in 2016 and accelerate to 0.8% in 2017.

Box 1: The macro economic forecast underpinning the budget in France

The High Council for Public Finances (HCPF) was established as a monitoring body attached to the French Court of Auditors and its independence is formally guaranteed by law. The High Council for Public Finances (HCPF) adopted on 24 September an opinion on the macroeconomic forecasts underlying the DBP as well as on the underlying budgetary strategy. This opinion is attached to the DBP submitted to the National Assembly, and was made public by the HCFP at the same time. In its opinion[1], the HCPF considers the 2016 GDP growth forecast of the DBP as slightly elevated given the currently available information. Concerning 2017, the HCFP assesses the growth projection as optimistic in the light of the downside risks that have materialised in recent months. Moreover, it considers the households' purchasing power forecast to be a strong assumption in light of the expected pick-up in inflation and the expected slowdown in social benefits. This forecast relies on a strong increase in property revenues, which is considered as unlikely. Overall, the macroeconomic scenario tends to depart from the prudence principle. Moreover, the HCPF assesses the risks to government expenditures for 2017 as higher than in previous years due to the unrealistic planned savings on unemployment benefits, the uncertain nature of planned savings on health care, the uncertainty associated with expenditure developments of the general government and local authorities and the risks that the planned recapitalisations of energy companies eventually needs to be taken into account. Furthermore, the favourable macroeconomic assumptions of the DBP pose risks to the revenue side. Consequently, the HCPF considers the return to a headline deficit below 3% of GDP in 2017 as uncertain.

The Commission 2016 autumn forecast projects slightly lower GDP growth than the authorities in both 2016 and 2017. More specifically, the Commission growth forecast is 0.2 pp lower in 2016, at 1.3%, and 0.1 pp lower in 2017, at 1.4%. For both years, the differences are mainly due to a less dynamic growth of private consumption as well as to a more negative contribution of net exports. Private consumption is expected to grow at a slower pace in both years in the Commission forecast, in line with a significantly lower growth of households' purchasing power in both 2016 and 2017. In particular, the growth rate of compensation per employee is significantly lower in 2016, whereas in 2017 property

[1] Cour des Comptes (2016), Avis nº HCFP-2016-3 relatif aux projets de finances et de financement de la securité sociale pour l'année 2017.

revenues are forecast to grow at a slower pace in the Commission forecast. The differences with respect to net exports for 2016 are largely due to the fact that the Commission forecast takes into account the strong negative contribution of the external sector in the third quarter of 2016. In 2017, the Commission forecasts a slower recovery of exports than the authorities whereas imports are expected to increase at almost the same pace. Finally, the Commission forecasts inflation, measured by the HICP, to pick up from 0.3% in 2016 to 1.3% in 2017. This forecast is roughly comparable to the authorities' forecast for the national CPI in 2016 but higher than their forecast in 2017, in part due to the higher oil price assumptions. However, concerning the GDP deflator, the Commission forecasts a lower growth rate in both 2016 and 2017, on the back of higher import deflator growth. Nominal GDP growth is thus substantially lower in the Commission forecast, by 0.2 pp in 2016 and 0.3 pp in 2017. Overall, the DBP is based on favourable macroeconomic assumptions.

Table 1. Comparison of macroeconomic developments and forecasts

	2015	2016			2017		
	COM	SP	DBP	COM	SP	DBP	COM
Real GDP (% change)	1.3	1.5	1.5	1.3	1.5	1.5	1.4
Private consumption (% change)	1.5	1.6	1.8	1.5	1.6	1.6	1.3
Gross fixed capital formation (% change)	1.0	1.7	2.7	2.9	3.0	3.1	3.2
Exports of goods and services (% change)	6.1	3.9	0.9	1.0	4.8	3.5	3.1
Imports of goods and services (% change)	6.6	4.8	2.1	2.8	5.1	4.0	3.8
Contributions to real GDP growth:							
- Final domestic demand	1.4	1.5	1.8	1.8	1.6	1.7	1.6
- Change in inventories	0.1	0.4	0.1	0.1	0.0	0.0	0.0
- Net exports	-0.3	-0.3	-0.4	-0.6	-0.1	-0.2	-0.3
Output gap[1]	-1.5	-1.4	-1.3	-1.4	-1.1	-1.0	-1.2
Employment (% change)	0.5	0.7	0.8	1.1	0.6	0.7	0.7
Unemployment rate (%)	10.4			10.0			9.9
Labour productivity (% change)	0.9	0.8	0.7	0.2	0.9	0.8	0.7
HICP inflation (%)	0.1	0.1	0.1	0.3	1.0	0.8	1.3
GDP deflator (% change)	0.6	0.9	0.9	0.8	0.9	0.9	0.8
Comp. of employees (per head, % change)	1.1	1.1	1.6	0.6	1.6	1.7	1.5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	-2.0	-1.4	-1.8	-1.8	-1.1	-1.8	-2.1

Note:

[1]In percent of potential GDP, with potential GDP growth recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source:

Stability Programme 2016 (SP); Draft Budgetary Plan for 2017 (DBP); Commission 2016 autumn forecast (COM); Commission calculations

3. RECENT AND PLANNED FISCAL DEVELOPMENTS

3.1. Deficit developments

For 2016, the DBP projects a deficit of 3.3% of GDP, in line with the target in the Stability Programme. The revenue-to-GDP ratio is planned to decline by 0.4 pp due to tax cuts for companies and households and social security contribution reductions but also a spontaneous evolution of revenues that is slower than the growth of the economy. The latter evolution is due to the inflation being lower than the GDP deflator. Nonetheless this would be more than compensated by the stronger decline in the expenditure-to-GDP ratio of 0.6 pp, 0.2 pp of which is explained by the decline in the interest burden. Despite lower interest payments, expenditure net of tax credits is set to grow by 1.4% in nominal terms compared with an average of 1.1% over the period 2013-2015. Hence, the expenditure containment strategy of the government is also helped by both low inflation and low interest rates. Despite the same deficit target, the revenue and expenditure ratios in the DBP are higher than in the Stability Programme by respectively 0.3 pp and 0.4 pp. This is largely explained by the downward revision of GDP in 2015 which through the denominator effect increases both ratios from 2015 onwards. The Commission 2016 autumn forecast also projects a deficit of 3.3% of GDP in 2016.

For 2017, the DBP expects the deficit to fall to 2.7% of GDP, in line with the target in the Stability Programme. The reduction in the deficit would be mainly achieved by means of a further reduction in the expenditure-to-GDP ratio by 0.5 pp. In turn, the overall revenue ratio is set to increase slightly. The elasticity of the tax burden net of tax measures would recover somewhat and be slightly above 1 as inflation is projected to accelerate. Moreover, revenues would be more dynamic than expected in the Stability Programme because of the cancellation of the final phase of the Responsibility and Solidarity Pact for an amount of EUR 5 bn (0.25% of GDP). Expenditure net of tax credits is set to grow by 1.6% in nominal terms compared to 1.1% growth planned in the Stability Programme. The difference, of the order of magnitude of 0.3% of GDP, is mainly due to the measures introduced since then (see section 3.3).

The Commission autumn forecast projects a deficit of 2.9% of GDP in 2017, which is 0.2 pp higher than the planned deficit in the DBP. This is due to the less dynamic macro-economic scenario for 0.1% of GDP and to the differences in the discretionary measures that have been taken into account for 0.1% of GDP (see section 3.3). On the revenue side, overall revenues are expected to be EUR 3 bn (0.1% of GDP) lower than in the DBP. While the elasticity of the tax burden is only somewhat lower, lower nominal GDP growth implies that revenues are also expected to be growing less fast. This is also reflected in the projected slower growth of the different tax bases, notably those for VAT, personal income taxes, corporate income taxes, and social security contributions. For example, the tax base for social security contributions is set to grow by 2.4% in 2017 in the Commission 2016 autumn forecast versus 2.7% in the DBP. As social security contributions are the single most important revenue category, accounting for 18.8% of GDP, even small differences in growth rates, make up for relatively important differences in yields. Also, the yield of the fiscal regularisations is not fully taken into account, with the Commission 2016 autumn forecast applying a discount of 25% (EUR 0.5 bn). Table 2 presents the composition of the budgetary adjustment. However, the lower nominal GDP (EUR 2274 bn vs 2287 bn) in the Commission forecast should be taken into account when comparing the different ratios. With that in mind, the revenue ratio in the Commission 2016 autumn forecast is 0.2 pp higher than in the DBP due to somewhat stronger other (non-tax) revenues although rounding effects should also be taken into account. The lower nominal GDP in the Commission 2016 autumn forecast explains 0.3 pp of the difference in the expenditure-to-GDP ratio. Overall, public expenditure net of tax credits is expected to increase by 1.7% versus 1.6% in the DBP with the difference with the growth rate planned in the DBP being mostly due to more dynamic social spending in the Commission forecast, which is largely explained by differences in the discretionary measures that have been taken into account(see section 3.3).

In line with the opinion of the HCPF, the Commission considers that risks surround the achievement of the headline target in 2017. State expenditure is subject to a ceiling, the so-called spending norm for the state. Although the spending norm for the State has been increased in 2017, the possible expenditure over-runs in 2016, ,the recurrent underfinancing of some departments,[2] the lack of any significant consolidation measure for state expenditure and the expected increase in the salary mass put the attainment of the expenditure norm of the State at risk in 2017 according to the HCPF. Finally, in April 2016 the government notified the Commission of its wish to recapitalise AREVA, a state-owned company active in the nuclear energy sector, for an amount of EUR 4 billion in 2017. The Commission has opened a state aid investigation on this decision. The AREVA operation is neither specifically mentioned in the DBP nor in the draft budget law, but the budget for state-owned enterprises is increased by EUR 1.8 bn in 2017. Pending the state aid investigation of the Commission and depending on the modalities of the recapitalisation there is a risk that the operation will increase the deficit. This risk is also flagged in the opinion of the HCPF.

According to the Commission 2016 autumn forecast, under the no-policy change assumption, the deficit is projected to increase to 3.1% of GDP in 2018, again above the 3% threshold enshrined in the Treaty.

Euro area sovereign bond yields remain at historically low levels, with 10-year rates in France currently standing at 0.5%[3]. As a consequence, total interest payments by general government have continued to decrease as a share of GDP. Based on the information included in the DBP, interest expenditure in France is expected to fall from 2.0% of GDP in 2015 to 1.8% in 2016 and projected to remain at that level next year, well below the 2.6% recorded back in 2012 at the peak of the euro area sovereign debt crisis. The picture stemming from France's plans is broadly confirmed by the Commission forecast.

The structural adjustment is set to be small in 2016 and 2017. The DBP plans an improvement in the structural balance of 0.1% of GDP in 2016 and of 0.5% of GDP in 2017[4]. Part of the structural improvement is, however, explained by the lower interest burden. Hence, the structural primary balance is projected to remain largely stable in 2016 and to improve by only 0.4 pp in 2017. By contrast, the Commission 2016 autumn forecast points to an improvement in the structural balance of 0.1% of GDP in 2016 and of 0.2% in 2017. For 2017, the improvement in the structural balance should be lower due to a higher headline deficit and higher one-off operations. However, when measured in terms of change in the structural primary balance, the improvement turns out to be null in 2016 and of only 0.1% of GDP in 2017.

[2] According to the French Court of Auditors the underfinancing of departments amounted to EUR 2.2 bn in 2015 and would amount to EUR 2 bn in 2016. Cour des Comptes (2016), La situation et les perspectives des finances publiques – Juin 2016. For 2017, the HCPF notes the underfinancing of the missions *Défense, Agriculture, alimentation, forêt et affaires rurales, Solidarité, insertion et égalité des chances*

[3] 10-year bond yields as of 28 October 2016. Source: Bloomberg.

[4] Cyclically adjusted balance net of one-off and temporary measures, recalculated by the Commission using the commonly agreed methodology.

Table 2. Composition of the budgetary adjustment

(% of GDP)	2015	2016			2017			Change: 2015-2017
	COM	SP	DBP	COM	SP	DBP	COM	DBP
Revenue	**53.5**	**52.8**	***53.1***	**53.2**	**52.7**	***53.2***	**53.4**	**-0.3**
of which:								
- Taxes on production and imports	15.9	15.8	*15.9*	15.9	15.7	*16.0*	16.0	0.1
- Current taxes on income, wealth, etc.	12.6	12.4	*12.4*	12.4	12.3	*12.4*	12.4	-0.2
- Capital taxes	0.6	0.6	*0.6*	0.6	0.5	*0.6*	0.6	0.0
- Social contributions	18.9	18.7	*18.8*	18.8	18.6	*18.8*	18.8	-0.1
- Other (residual)	5.5	5.3	*5.4*	5.5	5.6	*5.4*	5.6	-0.1
Expenditure	**57.0**	**56.0**	**56.4**	**56.5**	**55.3**	**55.9**	**56.3**	**-1.1**
of which:								
- Primary expenditure	55.0	54.1	54.6	54.6	53.4	54.1	54.5	-0.9
of which:								
Compensation of employees	12.9	12.7	12.7	12.8	12.6	12.6	12.7	-0.3
Intermediate consumption	5.1	4.9	5.0	5.1	4.8	4.9	5.1	-0.2
Social payments	26.0	25.7	25.9	25.9	25.4	25.6	25.8	-0.4
Subsidies	2.5	2.6	2.6	2.6	2.6	2.7	2.7	0.2
Gross fixed capital formation	3.5	3.4	3.5	3.5	3.3	3.5	3.5	0.0
Other (residual)	4.9	4.8	4.9	4.7	4.7	4.8	4.8	-0.1
- Interest expenditure	2.0	1.9	1.8	1.9	1.9	1.8	1.8	-0.2
General government balance (GGB)	**-3.5**	**-3.3**	**-3.3**	**-3.3**	**-2.7**	**-2.7**	**-2.9**	**0.8**
Primary balance	**-1.5**	**-1.3**	**-1.4**	**-1.5**	**-0.7**	**-0.9**	**-1.2**	**0.6**
One-off and other temporary measures	0.0	-0.2	-0.1	0.0	-0.1	-0.1	0.1	-0.1
GGB excl. one-offs	**-3.5**	**-3.1**	**-3.2**	**-3.3**	**-2.6**	**-2.6**	**-3.0**	**0.9**
Output gap[1]	-1.5	-1.4	-1.3	-1.4	-1.1	-1.0	-1.2	0.5
Cyclically-adjusted balance[1]	-2.6	-2.5	-2.5	-2.5	-2.1	-2.1	-2.2	0.5
Structural balance (SB)[2]	**-2.6**	**-2.3**	**-2.4**	**-2.5**	**-2.0**	**-2.0**	**-2.3**	**0.6**
Structural primary balance[2]	-0.6	-0.4	-0.6	-0.6	-0.1	-0.2	-0.5	0.4

Notes:

[1]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the DBP/programme as recalculated by Commission on the basis of the DBP/programme scenario using the commonly agreed methodology.

[2]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

Source:

Stability Programme 2016 (SP); Draft Budgetary Plan for 2017 (DBP); Commission 2016 autumn forecast (COM); Commission calculations

3.2. Debt developments

After having risen to 96.2% of GDP in 2015, the DBP forecasts the debt ratio to decrease slightly in 2016 and 2017, which contrasts with the mild increase envisaged for the same period in the Stability Programme 2016-2019. However, the Commission expects the public debt-to-GDP ratio to reach 96.4% in 2016 and to increase further to 96.8%, in 2017. Hence, according to the Commission, the debt ratio in 2017 will be 0.3 pp higher compared with the Stability Programme and some ¾ pp above the ratio projected in the DBP.

The DBP envisages a slight decrease in the debt ratio as opposed to the moderate increase envisaged in the Stability Programme due to a more negative contribution of stock-flow adjustments and a lower interest burden that more than offsets the slightly higher primary deficits in 2016 and 2017.

Table 3. Debt developments

(% of GDP)	2015	2016			2017		
		SP	DBP	COM	SP	DBP	COM
Gross debt ratio[1]	**96.2**	**96.2**	**96.1**	**96.4**	**96.5**	**96.0**	**96.8**
Change in the ratio	0.9	0.0	-0.1	0.2	0.3	-0.1	0.4
Contributions[2] :							
1. Primary balance	**1.5**	**1.3**	**1.4**	**1.5**	**0.7**	**0.9**	**1.2**
2. "Snow-ball" effect	**0.2**	**-0.2**	**-0.3**	**-0.1**	**-0.2**	**-0.4**	**-0.2**
Of which:							
Interest expenditure	2.0	2.0	1.9	1.9	2.0	1.8	1.8
Growth effect	-1.2	-1.4	-1.4	-1.2	-1.4	-1.4	-1.3
Inflation effect	-0.6	-0.8	-0.7	-0.8	-0.8	-0.8	-0.7
3. Stock-flow adjustment	**-0.8**	**-1.0**	**-1.2**	**-1.2**	**-0.1**	**-0.5**	**-0.5**

Notes:

[1] End of period.

[2] The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

Source:

Stability Programme 2016 (SP); Draft Budgetary Plan for 2017 (DBP); Commission 2016 autumn forecast (COM); Commission calculations

The difference between the Commission 2016 autumn forecast and the DBP debt projections stems from a projected higher general government primary deficit in 2017 and a lower nominal GDP growth projection in both 2016 and 2017. Lower nominal GDP growth is mostly explained by real GDP growth in 2016 and by both lower real GDP growth and a lower GDP deflator in 2017.

3.3. Measures underpinning the draft budgetary plan[5]

The consolidation strategy in the DBP 2017 is more revenue-based, compared to 2016, as the planned expenditure-based consolidation package of EUR 50 billion over 2015-2017 will not be realised fully.

On the revenue side, the main measure is the replacement of the final phase of the Responsibility and Solidarity Pact (RSP) by a reinforcement of tax credits in 2017 and the announcement of corporate tax cuts in 2018. For 2017, the RSP had planned the full abolition of the Company Solidarity Social Contribution (C3S), a tax on turnover, and a reduction of corporate taxes. Compared to the unchanged policy forecast, the cancellation of these

[5] The code of conduct for the Two Pack requires Member States to provide the amount of discretionary measures taken in a table. While the DBP describes all the discretionary measures and their expected yield, the tables only provide information on the revenue measures.

measures yields EUR 5 bn (0.2% of GDP). In compensation, the rate of the tax credit on competitiveness and employment (CICE) has been increased from 6% to 7% of payrolls in 2017. Given the national accounts treatment for tax credits, this would deteriorate the deficit by EUR 3.3 bn in 2018 only. Moreover, the DBP plans to reduce the corporate income tax rate from 33.3% in 2016 to 28% in 2020. As from 2017, the rate will be 28% for the part of profits of SMES below EUR 75000. The first phase of the reduction in corporate income taxes will cost EUR 0.3 bn whereas by 2020 the budgetary cost would be EUR 6 bn. As regards the other consolidation measures, the yield of the fiscal regularisation programme (STDR) has been increased by EUR 1.9 bn compared to the Stability Programme, bringing the expected yield in line with that of 2016. This upward revision is based on the increase in fines, the backlog of applications to be treated and the influx of new applications after the publication of the Panama papers. As the targeted yields of the fiscal regularisation programme have always been met so far and given the different elements that underpin the upward revision, the autumn forecast only applies a 25% discount on the upward revision of the yield. The quality of the consolidation is further reduced by a number of non-recurring revenue measures, which are classified as one-off measures in the Commission forecast. The payment modalities of some taxes have been changed, yielding EUR 1.3 bn additional revenues in 2017. Compared to the Stability Programme, the cost of fiscal disputes has been revised down by EUR 0.7 bn in 2017 and the dividend of the Banque de France has been revised up by EUR 0.6 bn to EUR 1.8 bn, which is significantly above the average dividend in the past years. Finally, the personal income tax has also been reduced by EUR 1 bn in 2017 targeting modest households.

On the expenditure side, expenditure growth is planned to remain contained although the initial degree of ambition to reduce spending by EUR 50 billion (2.2% of GDP) over 2015-2017 compared to expenditure trend growth has been scaled down (see box 2). The aim is now be to reduce expenditure by EUR 40.5 bn (1.8% of GDP) over 2015-2017. This reduction in the overall expenditure savings is translated in the DBP by an increase in the norm of the state by EUR 5.7 bn (¼% of GDP) to cover for additional expenditure on education, employment and security. Also, the DBP revises upwards the health care spending norm (ONDAM) from 1.75% to 2.1%, which implies EUR 0.7 bn additional expenditure. Finally, the DBP reduces the cut in state transfers to local authorities by EUR 1.2 bn.

The DBP also announces consolidation measures on health care expenditure, unemployment benefits, investment in innovation and local authorities spending. To meet the health care growth norm (ONDAM) of 2.1%, EUR 4 bn measures are identified in the DBP. Nonetheless, as flagged by *the Comite d'alerte de l'ONDAM* EUR 0.7 billion measures reduce expenditure under the ONDAM but do not improve the deficit of the social security[6]. On the unemployment benefits the DBP counts on EUR 1.6 bn savings in 2017 from the next agreement on the unemployment benefit scheme, UNEDIC. This agreement was scheduled to enter into force in mid-2016 but negotiations between social partners have not led to an agreement so far making this yield uncertain at this stage. Finally, the spending under the *programme d'investissement d'avenir* has been reduced by EUR 1.2 bn compared to the Stability Programme and local authorities are expected to reduce operational spending by EUR 1 bn.

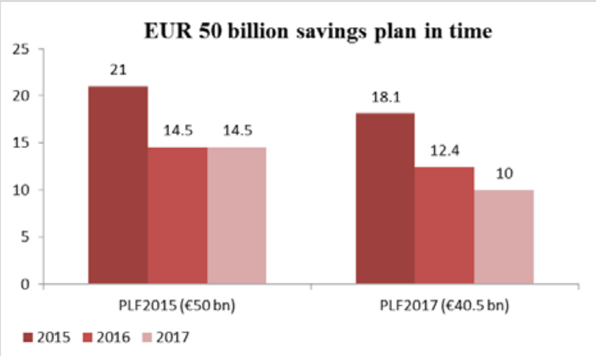
[6] *Comité d'alerte de l'ONDAM (2016) Avis du Comité d'alerte n° 2016-3 sur le respect de l'objectif national de dépenses d'assurance maladie*

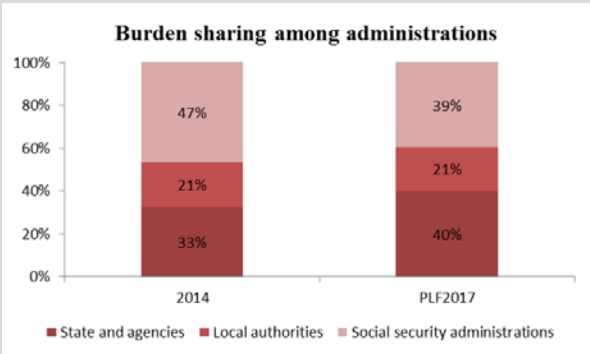
Beyond the consolidation measures to contain health care spending, the DBP announces EUR 1.5 bn consolidation measures in the other branches of social security. The measures consist in the upward revision of the yield of measures taken in the past for EUR 0.6 bn, new measures to fight fraud for EUR 0.5 and other measures, including the increase in taxes on tobacco.

Box 2: The expenditure-based consolidation strategy

The French expenditure-based consolidation strategy announced in April 2014 relies on the implementation of the EUR 50 bn (2.2% of GDP) savings plan to be achieved over 2015-2017. However, the overall size of the adjustment was revised downwards to EUR 40.5 bn (1.8% of GDP) in the 2017 DBP (see Chart 1, a). Moreover, the breakdown of the savings to be achieved each year has changed compared to the initial announcement (see Chart 1, b). The initial design of the plan was to share the burden proportionally to the share of each general government sub-sector in total expenditures. This burden was shifted towards the State, which saw its contribution significantly increased, the effort required from social security administrations was revised downwards significantly, while the contribution of local authorities was kept close to the initial planning. In the end, the disproportionate effort required from the State resulted in the non-achievement of the EUR 50 bn target, with the State effort being reduced by EUR 6.6 bn between the Stability Programme 2016 and the DBP 2017. At the same time the ambition of the spending reviews has been scaled back (see section 5).

Chart 1: The EUR 50 bn savings plan evolution in time and repartition by general government sub-sector





The savings are computed against trend expenditure growth in nominal terms. Based on the DBP 2017, the nominal trend growth of expenditure, net of tax credits, is estimated at 2.4% over 2013-2017 whereas the planned growth of expenditure, net of tax credits, is at 1.3% over 2013-2017. However, the method used to determine this trend against which the authorities compute the savings has changed over time. The changed methodology has sometimes led to upward revisions of trend growth, implying upward revisions in the yield of the measures taken as well. In contrast, the lower-than-expected inflation over the period 2015-2017 decreased the yield of some of the measures taken, e.g. those that freeze wages. Therefore it is difficult to compare the EUR 40.5 bn savings of the 2017 DBP with the EUR 50 bn savings initially announced.

Finally, questions can be raised on the amount of measures that underpin the EUR 40 5 bn. In a backward looking approach, the French Court of Auditors highlighted[7] that the amount of savings announced by the authorities for 2015 (EUR 18.1 bn) was overestimated, in particular on the State, where the savings target was only met on the back of late invoicing (*contournements*).

To conclude, despite the headline deficit targets being met, the assessment of the underlying expenditure-based consolidation strategy of the years 2015-2017 is less positive. The methods used to

[7] Situation et perspectives pour les finances publiques 2015, Cour des Comptes, Juin 2016

assess the savings plan can be subject to criticism due to the lack of transparency in setting the reference trends, and to the revision of trends and of the overall savings targets by year and by general government sub-sector.

4. COMPLIANCE WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT

France is currently subject to the corrective arm of the Pact. Box 3 recalls the main features of the latest recommendation under the Excessive Deficit Procedure addressed to France by the Council on 10 March 2015 and the latest country-specific recommendations in the area of public finances.

Box 3: Council recommendations addressed to France

On 10 March 2015, the Council the Council recommended France under Art. 126(7) of the Treaty to correct its excessive deficit by 2017. To this end, France was recommended to reach a headline deficit of 4.0% of GDP in 2015, 3.4% of GDP in 2016 and of 2.8% of GDP in 2017. Based on the macroeconomic forecast underlying the Council recommendation, this was considered consistent with an improvement of the structural balance of 0.5% of GDP in 2015, 0.8% for 2016 and 0.9% in 2017 and would require additional measures of 0.2% of GDP in 2015, 1.2% in 2016 and 1.3% in 2017. Furthermore, France should fully implement the already adopted measures for 2015 and ensure, by the end of April 2015, an additional fiscal effort of 0.2% of GDP. This would require the specification, adoption and implementation of additional structural discretionary measures equivalent to 0.2% of GDP to close the gap with the recommended improvement in the structural balance of 0.5% of GDP for 2015.

On 12 July 2016, the Council also addressed recommendations to France in the context of the European Semester. In particular, in the area of public finances the Council recommended to France to 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.

4.1. Compliance with EDP recommendations

Based on the information in the DBP, the Commission 2016 autumn forecast expects the headline deficit to be in line with the recommended target in 2016 and below the Treaty threshold of 3% in 2017, although above the headline deficit target of 2.8% of GDP recommended by the Council. The DBP plans to bring the headline deficit from 3.5% of GDP in 2015 to 3.3% in 2016 and 2.7% in 2016, slightly below the general government deficit targets recommended by the Council. While the deficit in 2015 was 0.5 pp lower than recommended by the 10 March 2015 Recommendation, the government's deficit targets for 2016 and 2017 are only 0.1 pp lower than the respective recommended headline targets for both years. This suggests that the better-than-foreseen starting position has not been used to accelerate the correction of the excessive deficit. The Commission forecast confirms the planned headline deficit of 3.3% of GDP in 2016. However, the Commission projects a headline deficit of 2.9% of GDP in 2017, which is in line with the reference value in the Treaty, but 0.1 pp. of GDP higher than the deficit target recommended by the Council.

Table 4. Compliance with the EDP recommendation

(% of GDP)	2015	2016		2017	
	COM	DBP	COM	DBP	COM
Headline balance					
Headline budget balance	-3.5	-3.3	-3.3	-2.7	-2.9
EDP requirement on the budget balance	-4.0	-3.4		-2.8	
Fiscal effort - change in the structural balance					
Change in the structural balance[1]	0.3	0.1	0.1	0.5	0.2
Cumulative change[2]	0.3	0.4	0.4	0.9	0.6
Required change from the EDP recommendation	0.5	0.8		0.9	
Cumulative required change from the EDP recommendation	0.5	1.3		2.2	
Fiscal effort - adjusted change in the structural balance					
Adjusted change in the structural balance[3]	0.3	-	0.0	-	0.2
of which: *correction due to change in potential GDP estimation (α)*	0.0	-	0.0	-	0.0
correction due to revenue windfalls/shortfalls (β)	0.0	-	0.1	-	0.1
Cumulative adjusted change [2]	0.3	-	0.4	-	0.5
Required change from the EDP recommendation	0.5	0.8		0.9	
Cumulative required change from the EDP recommendation	0.5	1.3		2.2	
Fiscal effort - calculated on the basis of measures (bottom-up approach)					
Fiscal effort (bottom-up)[4]	-0.1	-	0.3	-	0.8
Cumulative fiscal effort (bottom-up)[2]	-0.1	-	0.2	-	1.0
Requirement from the EDP recommendation	0.2	1.2		1.3	
Cumulative requirement from the EDP recommendation	0.2	1.4		2.7	

Notes

[1] Structural balance = cyclically-adjusted general government balance excluding one-off measures. Structural balance based on DBP is recalculated by the Commission on the basis of the Draft Budgetary Plant scenario using the commonly agreed methodology. Change compared to t-1.

[2] Cumulated since the first year for correction in the lastest EDP recommendation.

[3] Change in the structural balance corrected for unanticipated revenue windfalls/shortfalls and changes in potential growth compared to the scenario underpinning the EDP recommendation.

[4] The estimated budgetary impact of the additional fiscal effort delivered on the basis of the discretionary revenue measures and the expenditure developments under the control of the government between the baseline scenario underpinning the EDP recommendation and the current forecast.

Source :

Draft Budgetary Plan for 2017 (DBP); Commission 2016 autumn forecast (COM); Commission calculations.

The structural adjustment remains well below the targets recommended by the Council in both 2016 and 2017. While the EDP recommendation requires France to achieve an improvement in the structural balance of 0.8% of GDP in 2016 and 0.9% in 2017, the DBP foresees an improvement in the (recalculated) structural balance of 0.1% of GDP in 2016 and 0.5% of GDP in 2017. The Commission forecast points to an expected improvement in the structural balance of 0.1% of GDP in 2016 and of 0.2% of GDP in 2017 (see section 3.1 for a comparison between the recalculated structural balance and the Commission forecast). While the headline target set by the Council is expected to be met in 2016 and the deficit is projected to fall below the Treaty threshold value of 3% in 2017, the adjustment in the structural balance is set to remain significantly lower than recommended by the Council in both years. This situation calls for a careful analysis of the fiscal effort based on the improvement in the adjusted structural balance and on the amount of measures taken.

Regarding 2016, the careful analysis based on the Commission 2016 autumn forecast also points to a significant shortfall compared to the fiscal effort recommended by the Council. Correcting for changes in potential growth as well as for revenue windfalls since the time of the Council recommendation, the adjusted structural balance is projected to remain largely unchanged (see table A4 and A5 in annex for the detailed calculations), which contrasts with the improvement of 0.8% of GDP recommended by the Council. For 2016, the Commission forecast projects inflation at 0.3%, whereas the recommendation was based on an inflation forecast of 1.0%. However, while a lower inflation compared to the scenario underlying the EDP recommendation could have contributed to biasing the estimated structural effort downwards, this effect is deemed to be limited. In view of the size of the shortfall, this consideration would not materially alter the assessment. The additional bottom-up fiscal effort compared to fiscal developments projected at the time of the Council recommendation of 10 March amounts to 0.3% of GDP, also falling short of the 1.2% of GDP recommended by the Council on 10 March 2015. In cumulative terms, the effort would be of 0.4% and 0.2% of GDP over 2015-2016 based on the top-down and bottom-up approaches, respectively. These cumulative efforts fall short of the recommended cumulative effort over the period by 0.9% of GDP according to the top-down and by 1.2% of GDP according to the bottom-up methodology, respectively. Compared to the Commission assessment of the 2016 Stability Programme, the change in the structural balance according to both metrics deteriorates by 0.1%.

For 2017, the careful analysis based on the Commission 2016 autumn forecast confirms that the fiscal effort falls significantly short of the effort recommended by the Council. The adjusted structural balance, that corrects for changes in potential growth and revenue windfalls since the recommendation, is projected to improve by a meagre 0.2% of GDP (see table A4 and A5 in annex for the detailed calculations), falling well short of the improvement of 0.9% of GDP recommended by the Council. In turn, the additional bottom-up fiscal effort is estimated at 0.8% of GDP, which also falls short of the 1.3% of GDP recommended by the Council. In cumulative terms, the effort would amount to 0.5% in terms of the top-down approach and to 1.0% of GDP according to the bottom-up metric over 2015-2017. These cumulative efforts also fall short of the recommended cumulative effort over the period by 1.7% of GDP according to both metrics. When compared with the Commission assessment of the 2016 Stability Programme, the structural effort improves by 0.2% according to both metrics, broadly in line with the improvement in the unadjusted structural balance.

France's achievement of the recommended target for 2017 under the EDP is at risk. Whereas the Commission forecast expects the headline deficit to be in line with the recommended deficit target in 2016, the structural adjustment is expected to fall short of the recommended effort. For 2017 however, the headline deficit target is expected to be missed and the 3% of GDP threshold value in the Treaty is projected to be met with very little margin, with the structural effort falling well short of the recommended effort by the Council. A careful analysis based on the Commission 2016 autumn forecast, based both on an assessment of the adjusted change in the structural balance ('top-down' approach) and of the amount of measures planned ('bottom-up' approach), also shows that the fiscal effort is expected to fall well short of the level recommended by the Council. Therefore, based on an overall assessment of the DBP, France's achievement of the recommended target under the EDP for 2017 appears at risk. Moreover, should the deficit fall below the 3% reference threshold in 2017, there are doubts at this stage about how lasting the correction would be as, according to the Commission autumn forecast, the deficit for 2018 is projected to breach the 3% threshold again.

5. IMPLEMENTATION OF FISCAL STRUCTURAL REFORMS

France was recommended to improve its fiscal governance. As part of the country-specific recommendations (CSRs) issued on 12 July 2016, the Council recommended France to step up efforts to increase the amount of savings generated by the spending reviews, including on local government spending, by the end of 2016, and to reinforce the independent public policy evaluations in order to identify efficiency gains across all sub-sectors of general government. Moreover, the Council recommended France to remove inefficient tax expenditures, to remove taxes that are yielding little or no revenue and to adopt the withholding personal income tax reform by the end of 2016.

The savings identified in the spending review process have diminished compared to the 2015 exercise. While the first wave of spending reviews in 2015 yielded modest savings, it was the first exercise of this kind and the following ones were expected to identify larger pools of savings. However, the second wave of spending reviews included in the 2017 DBP has not identified new savings and has only announced that measures of the first round of spending reviews − on housing allowances, medical devices and the dematerialization of the electoral material − would continue to yield additional savings of EUR 400 million in 2017. This is even less than the amount of savings derived from the first wave of spending reviews. One explanation for the low amount of savings in 2017 could be found in the content of the second wave of spending reviews targeting mostly spending made by local governments, which by constitution are autonomous in managing their budgets. In this context, no mechanism exists to ensure that the savings and recommendations identified in the review process are translated into actions, especially at the local government level. The 2018 spending review is foreseen to cover 13 new expenditure areas, but they would continue to target spending by local authorities in most cases, which casts doubt on the potential for improving and reinforcing the third wave of spending reviews. In another area of fiscal governance, notably relating to reinforcing the independent public policy evaluations, the *Secrétariat Général de la modernisation de l'action publique* has launched a meta-evaluation (evaluation of evaluations) and delegated it to third parties.

The fiscal framework for local authorities has not been improved significantly since last year. The indicative expenditure norm for local authorities (ODEDEL) was differentiated for the first time by level of administration and type of expenditure in 2016 and this approach will be pursued in 2017, which should allow keeping track of the evolution of expenditure at this administrative level, while no correction mechanism is foreseen in case of expenditure overruns. Moreover, while the expenditure-based consolidation strategy of the authorities relies strongly on the contribution of local authorities, the savings expected from these administrations were not specified despite being significant and planned to be delivered in a more constrained environment: higher operational expenditure due to the unfreeze of the public servants wages and the reform of the salary grid, higher investment in connection with the local electoral cycle and a continuation of the cut in transfers from the State, although reduced compared to the cut initially planned. Finally, the implementation of the territorial reform over 2016-2020 is expected to increase spending in the short run, but should lead to efficiency gains at the local government level, notably through spending rationalization and mutualisation of services, in the longer run.

Efforts to simplify the tax system are mixed. The income tax system will be modernised through the introduction of the withholding personal income tax reform (*prélèvement à la source*) which will be implemented as of 2018 if adopted by Parliament. However, little has been done to streamline the tax system. The scrapping of taxes yielding little or no revenue continues to progress at a slow pace. The 2017 DBP plans the suppression of two further taxes out of the 192 identified by the General Inspection of Finances in 2014, keeping the pace of 2016 unchanged. Tax expenditures keep increasing in number and in value, and are set to reach EUR 89.9 billion in 2017 (up from EUR 85.9 billion in 2016), exceeding the maximum of EUR 86 billion set for 2017 in the 2014-2019 multiannual budgetary framework. The higher-than-previously-forecast cost of the CICE in 2017 and the increase in tax expenditures linked to environmental taxation can only account for EUR 1.1 bn of the increase on 2016. Indeed, the 2017 DBP provides for a net creation of 5 tax expenditures (14 new ones will be introduced, while only 4 are to be suppressed and 5 to come to an end).

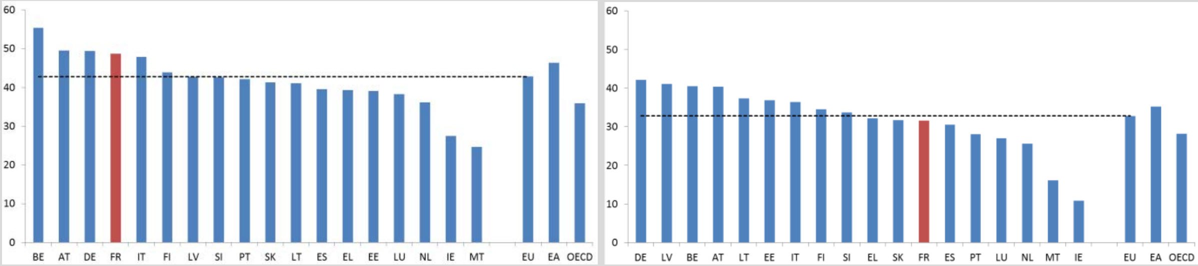
A comprehensive assessment of progress made in the implementation of the country-specific recommendations will be made in the 2017 Country Reports and in the context of the country-specific recommendations to be adopted by the Commission in May 2017.

Box 4: Addressing the tax burden on labour in the euro area

The tax burden on labour in the euro area is relatively high, which weighs on economic activity and employment. Against this background, the Eurogroup has expressed a commitment to reduce the tax burden on labour. On 12 September 2015, the Eurogroup agreed to benchmark euro area Member States' tax burden on labour against the GDP-weighted EU average, relying in the first instance on indicators measuring the tax wedge on labour for a single worker at average wage and a single worker at low wage. It also agreed to relate these numbers to the OECD average for purposes of broader comparability.

The tax wedge on labour measures the difference between the total labour costs to employ a worker and the worker's net earnings. It is made up of personal income taxes and employer and employee social security contributions. The higher the tax wedge, the higher the disincentives to take up work or hire new staff. The graphs below show the tax wedge in France for a single worker earning respectively the average wage and a low wage (50% of the average) compared to the EU average.

The tax burden on labour in France at the average wage and a low wage (2015)



Notes: Data for Latvia, Lithuania and Malta is for 2014. No recent data is available for Cyprus. EU and EA averages are GDP-weighted. The OECD average is not weighted.

Source: European Commission Tax and Benefit Indicator database based on OECD data.

Benchmarking is only the first step in the process towards firm, country-specific policy conclusions. The tax burden on labour interacts with a wide variety of other policy elements such as the benefit system and the wage-setting system. A good employment performance indicates that the need to reduce labour taxation may be less urgent while fiscal constraints can dictate that labour tax cuts should be fully offset by other revenue-enhancing or expenditure-reducing measures. In-depth, country-specific analysis is necessary before drawing policy conclusions.

In the context of the 2016 European Semester, France was issued the recommendation to "Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness (…)" and "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. 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."

As new measures, France's DBP plans the increase of the CICE tax credit from 6% to 7% on wages paid in 2017, for an additional cost of EUR 3.3 bn in 2018. This increase in the CICE tax credit rate replaces the abolition of the corporate social solidarity contribution (C3S) for the largest companies, planned under the Responsibility and Solidarity Pact (RSP). At the same time, the standard rate of corporate income tax will be lowered from the current 33.3% to 28% for all firms by 2020, with a reduction taking place already in 2017 for the part of profits of SMEs below EUR 75 000. As a result, the total amount of tax cuts for businesses included in the CICE and the RSP will save business a total of EUR 36 bn in 2016 and EUR 39.5 bn in 2017. Concerning households, 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 for a total of EUR 1 bn.

6. OVERALL CONCLUSION

Based on the Commission 2016 autumn forecast, France is expected to achieve a headline deficit of 3.3% of GDP in 2016 and of 2.9% in 2017. The expected deficit for 2016 is in line with the recommended target. For 2017, however, while still below the 3.0% of GDP Treaty reference threshold, the recommended headline deficit target of 2.8% of GDP is projected to be missed. Moreover, in 2018, under the usual no-policy change assumption, the Commission projects the headline deficit to breach again the 3.0% of GDP Treaty threshold.

At the same time, the Commission expects that the structural effort in both 2016 and 2017 will fall significantly short of the recommended effort in the Council recommendation. Overall, the budgetary strategy is largely nominalist, based on the better-than-expected deficit outcome in 2014 and 2015, the low interest rate environment and improving cyclical conditions, which entails risks to the timely and durable correction of the excessive deficit by 2017.

Annex. EDP related tables

Table A1. Baseline scenario underlying the EDP recommendation

% of GDP	2014	2015	2016	2017
Real GDP growth (%)	0.4	1.0	1.8	1.8
Nominal GDP growth (%)	1.1	1.8	2.8	3.3
Potential GDP growth (%)	1.0	1.0	1.1	1.2
Structural balance (in % of pot. output)	-2.9	-2.6	-3.0	-3.3
General government balance (in % of GDP)	-4.3	-4.1	-4.1	-4.1
p.m Output gap (% of pot. Output)	-2.3	-2.3	-1.6	-1.1
Source: Commission Staff Working Document accompanying the Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in France (COM(2015) 115 final)				

Table A2. EDP scenario underlying the EDP recommendation

% of GDP	2014	2015	2016	2017
Real GDP growth (%)	0.4	0.8	0.7	0.8
Nominal GDP growth (%)	1.1	1.6	1.6	2.3
Potential GDP growth (%)	1.0	1.0	1.1	1.2
Structural balance (in % of pot. output)	-2.9	-2.4	-1.5	-0.7
General government balance (in % of GDP)	-4.3	-4.0	-3.4	-2.8
Variation in structural balance (in % of pot. output)	0.4	0.5	0.8	0.9
p.m Output gap (% of pot. output)	-2.3	-2.5	-2.9	-3.4
Source: Commission Staff Working Document accompanying the Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in France (COM(2015) 115 final)				

Table A3. Current estimates of the macroeconomic and fiscal developments

% of GDP	2014	2015	2016	2017
Real GDP growth (%)	0.6	1.3	1.3	1.4
Nominal GDP growth (%)	1.2	1.9	2.1	2.1
Potential GDP growth (%)	1.0	0.9	1.2	1.2
Structural balance (in % of pot. output)	-2.9	-2.6	-2.5	-2.3
General government balance (in % of GDP)	-4.0	-3.5	-3.3	-2.9
p.m Output gap (% of pot. Output)	-1.8	-1.5	-1.4	-1.2
Source: Commission 2016 Autumn Forecast				

Table A4. Adjustment of apparent structural effort for the revision in potential growth – details of calculation

FR	Potential GDP growth underlying the Council Recommendation (%)	Potential GDP growth in Autumn Forecast (%)	Forecast error (%)	Structural expenditure (% of potential GDP)	Correction coefficient α (% of potential GDP)
	(1)	(2)	(3)=(1)-(2)	(4)	(5)=(3)*(4)/100
2015	1.0	0.9	0.0	56.3	0.0
2016	1.1	1.2	0.0	56.1	0.0
2017	1.2	1.2	0.0	55.7	0.0

Table A5. Adjustment of apparent structural effort for the revision in revenue shortfalls/windfalls – details of calculation

FR	Change in current revenues (yoy) (billions)		Discretionary current revenue measures (billions)		Nominal GDP growth assumptions (%)		Current revenues in year t-1 (billions)		Revenue gap (billions)*	Correction coefficient β (% of potential GDP)
	recom.	assessment	recom.	assessment	recom.	assessment	recom.	assessment		
	(1)	(1')	(2)	(2')	(3)	(3')	(4)	(4')	(5)=[(1')-(2')-ε*(3')*(4')]-[(1)-(2)-ε*(3)*(4)]	
2015	20.4	20.4	2.5	1.8	1.8	1.9	1135.6	1136.3	-0.5	0.0
2016	25.8	17.3	-2.9	-4.1	2.8	2.1	1156.0	1156.7	1.3	0.1
2017	34.7	28.7	-4.3	2.5	3.3	2.1	1181.8	1174.0	1.3	0.1

Table A6. Forecast of key variables for the computation of the fiscal effort under the baseline scenario

			2014	2015	2016	2017
Enters top-down	α	*Structural expenditure (% of potential GDP)*	*56.4%*	*56.4%*	*56.4%*	*56.4%*
		Potential GDP growth (%)	*1.0%*	*1.0%*	*1.1%*	*1.2%*
	β	*Current revenue (national currency)*	*1135.6*	*1156.0*	*1181.8*	*1216.5*
		Discretionary measures wih impact on current revenue (national currency)	*12.4*	*2.5*	*-2.9*	*-4.3*
		Nominal GDP growth (%)	*1.1%*	*1.8%*	*2.8%*	*3.3%*
		p.m Elasticity on current revenue	*0.8*	*0.9*	*0.9*	*1.0*
		p.m Output gap (% of Pot. Output)	*-2.3%*	*-2.3%*	*-1.6%*	*-1.1%*
Enters bottom-up		*Discretionary measures wih impact on total revenue net of one-offs and other temporary measures (national currency)*	*15.9*	*4.4*	*-2.0*	*-4.3*
		Total expenditure net of one-offs and other temporary measures (national currency)	*1234.7*	*1252.5*	*1281.9*	*1321.0*
		Interest expenditure (national currency)	*46.8*	*47.4*	*49.8*	*53.3*
		Total unemployment	*3021.3*	*3054.3*	*3012.0*	*2847.4*
		Unemployment benefits (national currency)	*40.8*	*40.5*	*40.0*	*37.8*
		Investment expenditure matched by EU funds (national currency)	*0.0*	*0.0*	*0.0*	*0.0*

Source: Commission Staff Working Document accompanying the Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in France (COM(2015) 115 final)