

OPINION OF THE HIGH COUNCIL OF PUBLIC FINANCE ON THE BUDGET BILL FOR 2015

On Friday, 26th September 2014, the High Council of Public Finance (Haut Conseil des finances publiques, HCFP) adopted an opinion concerning the Budget Bill for 2015. It deals with the macroeconomic forecasts on which the budget bill is based as well as the consistency of annual structural balance forecasts vis-à-vis the multi-year structural balance targets.

Main conclusions of the HCFP's opinion:

The HCFP considers that the Government's growth forecast of 0.4 % for 2014 is realistic.

With respect to 2015, the HCFP considers that the Government's growth forecast of 1.0 % is optimistic. It requires a quick and lasting recovery, which is not supported by the latest short-term indicators. Moreover, the official macroeconomic forecasts suffer from some weaknesses regarding the dynamism of the international environment and domestic demand.

The HCFP underscores that the Government has not attempted to correct the "significant deviation" (1.5 points of GDP) between the structural deficit in 2013 and the multi-year structural balance trajectory of the programming budget law for the years 2012-2017, which is still the valid reference. Instead, the Government has chosen to define a new trajectory, which integrates past deviations and sets new targets that are less ambitious.

Given the context of weak growth and low inflation, the HCFP underscores that postponing the structural adjustment again could put the public debt trajectory at risk.

The HCFP welcomes the efforts for reducing public expenditure undertaken since 2011. Nevertheless, given the measures presented by the Government to date, the HCFP reckons that the expected public expenditure growth for 2015 (1.1 % in nominal terms), and therefore the structural adjustment target (0.2 point of GDP) for 2015, may not be achieved.

The full version of HCFP's opinion is available in French on its website: www.hcfp.fr

The High Council of Public Finance (Haut Conseil des finances publiques, HCFP) is required to assess the realism of macroeconomic forecasts presented by the Government and to check the consistency of the structural balance trajectory with French commitments to reach structural balance in the mid-term. The HCFP is an independent body from the government and parliament. It is attached to the French supreme audit institution (Cour des comptes) and chaired by the Head of the Court.