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ASSESSMENT OF THE FRENCH MEDIUM-TERM PLAN IN LIGHT OF THE ADDITIONAL INFORMATION PROVIDED BY FRANCE ON 16 JANUARY 2025

(Note for the Economic and Financial Committee)

Assessment of the French Medium-Term Plan in light of the additional information provided by France on 16 January 2025

On 31 October 2024, France submitted its national medium-term fiscal-structural plan (MTP) to the Council and to the Commission. France's national medium-term fiscal-structural plan covers the period 2025-2029 and presents a fiscal adjustment over seven years. The plan committed to a net expenditure path with an average net expenditure growth of 1.1% over the years 2025-2029 (Table 1). In addition, France committed to a set of reforms and investments with the view to extending the adjustment period to 7 years (2025–2031).

On 26 November 2024, the Commission adopted a positive assessment of France's national medium-term fiscal-structural plan, which was found compliant with the requirements of Regulation (EU) 2024/1263, and recommended its endorsement to the Council. In parallel, the Commission recommended to the Council the adoption of a Recommendation under Article 126(7) TFEU, with a corrective net expenditure path consistent with the one in France's national medium-term plan.

On 4 December 2024, the French Parliament approved a motion of no-confidence in the government, which also resulted in the 2025 budget not being adopted. A new government was appointed on 23 December 2024.

On 14 January 2025, the Prime Minister announced a new deficit target of 5.4% of GDP for 2025, higher than the previous target of 5.0% of GDP. On 16 January, France has requested, through a letter of the Director General of the Treasury, an adaptation to the net expenditure path underlying the recommendation endorsing the French medium-term plan and the recommendation under Article 126(7) TFEU, to reflect the new deficit target. In its request, France provided the adapted net expenditure path but did not update other previously submitted figures.

Compared to the initial fiscal path, the adapted path translates into higher net expenditure growth in 2025 (0.8%), which is entirely offset over the following years of the plan (Table 1). Therefore, the average net expenditure growth over the adjustment period and the plan period remains unchanged.

France has also reiterated its commitment to bring the deficit below 3% of GDP in 2029 and to the reforms and investment commitments in the plan submitted on 31 October 2024.

Table 1 - Net expenditure growth (%)

	2025	2026	2027	2028	2029	2030	2031	Average 2025-2029	Average 2025-2031
Commission's reference trajectory of 21 June 2024	2.0	1.7	1.6	1.4	1.5	1.6	1.7	1.6	1.6
France's medium-term plan submitted on 31 October 2024	0.0	1.4	1.4	1.4	1.3	1.3	1.3	1.1	1.1
French Treasury's letter of 16 January 2025	0.8	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1

Assessment

Having analysed the adapted fiscal path, the Commission considers that France's national medium-term plan is compliant with the requirements of Regulation (EU) 2024/1263. Namely:

- The average net expenditure growth reported in the plan over the adjustment period (2025–2031) remains in line with the path submitted in the original plan of October 2024 (which was lower than the reference trajectory transmitted by the Commission on 21 June 2024).

- If the adapted net expenditure path committed to in the plan and the underlying assumptions materialised, the general government debt ratio would be put on a downward path by the end of the adjustment period (2031). This is plausible as, based on the plan's assumptions, debt is projected to decline over the ten years following the adjustment period under all deterministic stress tests of the Commission's Debt Sustainability Analysis, and the stochastic projections indicate that debt would decline with a sufficiently high probability. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the modified net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

- Based on the plan's assumptions and the adapted net expenditure path, the general government deficit would progressively decline from 6.1% of GDP in 2024 to below 3% of GDP in 2029 and will remain below 3% until at the end of the adjustment period (2031). In addition, in the ten years following the adjustment period (i.e. until 2041), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the modified net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

- The time profile of the fiscal adjustment, as implied by the adapted net expenditure path, is frontloaded, compared to the linear path referred to as a rule under Article 6, point (c), of Regulation (EU) 2024/1263. This reflects a frontloaded consolidation effort in 2025. In addition, the fiscal adjustment over the first four years of the plan is at least proportional to the total adjustment effort. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the adapted net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Article 6(c) of Regulation (EU) 2024/1263.

- The adapted net expenditure path set out in the plan is in line with the requirements under the excessive deficit procedure (in particular with the minimum annual structural adjustment established in Article 3(4), third subparagraph of Council Regulation (EC) 1467/97).

- The requirement of the preventive arm set out in Article 8 of Regulation (EU) 2024/1263 regarding the deficit resilience safeguard, which aims to provide a common margin relative to the deficit reference value of 3% of GDP, applies to France as of 2030, as the deficit is planned to be below 3% of GDP as of 2029. In 2030 and 2031, the annual adjustment in the structural primary balance should therefore not be less than 0.25% of GDP if the structural deficit remained above 1.5% of GDP in the years before, to achieve a common resilience margin in structural terms of 1.5% of GDP. The fiscal adjustment that results from the plan's policy commitments and macroeconomic assumptions exceeds 0.25% of GDP in both years. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the adapted net expenditure path put forward in the plan is consistent with the deficit resilience safeguard.

- In accordance with Article 7 of Regulation (EU) 2024/1263, as general government debt will be above 90% of GDP over the adjustment period according to the plan, the debt ratio is required to decline by at least 1 percentage point on average per year until it falls below 90%, after which it should decline by 0.5 percentage points on average. As the deficit is planned to be below 3% of GDP as of 2029 according to the plan, this decline is calculated for the year 2031 (compared to the level of 2030) and is above 1 percentage point. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the adapted net expenditure path put forward in the plan is consistent with the debt sustainability safeguard.

In light of the above, France’s national medium-term plan, taking into account the adapted net expenditure path, fulfils the requirements of Regulation (EU) 2024/1263.
To ensure consistency, the adapted net expenditure path should be also recommended to France as the corrective net expenditure path under Article 126(7) TFEU.