France’s deficit below 3% of GDP, procedure closed

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On 22 June 2018, the Council closed the excessive deficit procedure for France, confirming that it has reduced its deficit below the EU’s 3% of GDP reference value.

The Council thereby **abrogated its decision** of April 2009 on the existence of an excessive deficit in France.

Member states are required by article 126 of the Treaty on the Functioning of the European Union (TFEU) to **avoid excessive government deficits**. The procedure is used to support a return to sound fiscal positions.

Once it has exited an excessive deficit procedure, a member state is subject to the preventive arm of the EU’s fiscal rulebook, the Stability and Growth Pact.

Procedures were open for 24 member states in 2010-11 at the height of the euro crisis. **Now only one** (Spain) remains subject to an excessive deficit procedure.

France’s general government deficit amounted to **2.6% of GDP in 2017**, down from 3.4% of GDP in 2016. The Commission’s spring 2018 economic forecast projects deficits of 2.3% of GDP in 2018 and 2.8% of GDP in 2019, thus **remaining below** the EU’s 3% of GDP reference value over the forecast horizon.

The structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, improved by 0.5% of GDP in 2017. The accumulated improvement in the structural balance since 2015 amounted to 0.7% of GDP.

The ratio of gross government debt to GDP increased to **97.0% in 2017** from 96.6% in 2016, mainly due to debt-increasing stock flow adjustments. The Commission’s spring 2018 forecast projects the debt ratio to **decrease in 2018 and 2019**, to 96.4% and 96.0% respectively, with high nominal economic growth outweighing primary deficits and interest payments.

France has been subject to an excessive deficit procedure **since April 2009**, when the Council called for its deficit to be corrected by 2012.

That **deadline has been extended** three times:

- in December 2009, the Council extended it to 2013 after the Commission forecast that France's 2009 general government deficit would reach 8.3% of GDP, nearly three percentage points higher than its previous estimate;
- in June 2013, the Council extended the deadline to 2015, on account of a worse-than-expected deterioration of France's economy;
- in March 2015, the Council extended the deadline to 2017, on account of continued weak economic conditions and in the light of the fiscal effort made since 2013.

In it's March 2015 recommendation, the Council set the following headline deficit targets: 4.0% of GDP in 2015, 3.4% in 2016 and 2.8% in 2017.

In the light of the latest data, the Council concluded that France's deficit has **now been corrected**.

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