Benchmark 2020: revision of deficit and debt data

Warning

On May 31, 2024, INSEE will publish the national accounts in the benchmark 2020 ([press release](#)*). Ahead of this publication, the levels of public deficit and debt are published and notified at the end of March to the European Commission within the framework of the excessive deficit procedure in the concepts of the benchmark 2020. However, the series of Gross Domestic Product (GDP) used to calculate the public finance ratios as a percentage of GDP remains in the concept of the benchmark 2014 and will be updated on May 31, 2024. The revision of the GDP in value in 2019 and 2020 between benchmark 2014 and benchmark 2020 is not significant (less than 0.2%).*

In addition to the [information the usual publication accompanying the notification](#), [methodological notes](#) describing the main sources of revision of the General government account in the benchmark 2020 are available

This methodological note describes the main revisions affecting the government expenditure and revenue as well as the public debt under the Maastricht definition, on the occasion of the transition to the "benchmark 2020[1]". In the realm of public finance, the revisions made in the benchmark 2020 to the national accounts series mainly result from the update of the scope of general government in the sense of national accounts ([The scope of general government in the benchmark 2020](#)), as well as the application of the European manual on government deficit and debt published in 2023, particularly regarding the recording of tax credits ([The recording of tax credits in benchmark 2020](#)). The "rebasement" of the general government account was carried out over two base years, 2019 and 2020. The accounts for previous years were "retropolated" mainly using statistical methods. This note

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[1]   The year chosen to name a base refers to the reference year for prices.

presents the revisions of the public finance aggregates for the two base years, then describes their translation on the past chronicle of deficit and debt between 1995 and 2020.

1. Revisions to public finance aggregates in 2019 and 2020

The public administrations' financing balance improved by €16.5 billion in 2019 and by €1.2 billion in 2020 (► Table 1-1). The two most significant factors revising the balance in the new benchmark are the advancement by one year of the tax credit expenditures for employment and competitiveness (*crédit d'impôt pour l'emploi et la compétitivité, CICE)*, and the reclassification of the Public Service Additional Retirement Establishment (*établissement de retraite additionnelle de la fonction publique*, ERAFP) outside of general government. Furthermore, government expenditure and revenue are structurally revised upwards with the full integration of SNCF Réseau and public broadcasting units into the account of administrations.

In total, government revenue is increased by €13.3 billion in 2019 and by €9.6 billion in 2020. Government expenditure is revised downward in 2019 by €3.1 billion, as the scope effects are more than offset by the advancement by one year of CICE expenditures, which ends in 2018 in the benchmark 2020 instead of 2019 in the benchmark 2014. In 2020, expenditures are increased by €8.4 billion.

In the benchmark 2020, the Maastricht debt of general government is increased by €11.2 billion at the end of 2019 and by €4.8 billion at the end of 2020. It stands at €2,386 billion at the end of 2019 and €2,662 billion at the end of 2020. Expressed as a percentage of GDP, the public debt for 2019 is set in the benchmark 2020 at 97.9%, compared to 97.4% in the benchmark 2014; and 114.9% compared to 114.6% for the year 2020 (► Table 1-2).

Table 1-1 : Revision of public finance ratios from the benchmark 2014 to the benchmark 2020 – in billion euros

	Year 2019			Year 2020		
	Benchmark 2014	Benchmark 2020	Revision (Benchmark 2020- Benchmark 2014)	Benchmark 2014	Benchmark 2020	Revision (Benchmark 2020- Benchmark 2014)
Government expenditure	1 349.3	1 346.2	− 3.1	1 422.0	1 430.4	8.4
Government revenue	1 274.6	1 287.9	13.3	1 213.7	1 223.3	9.6
Financing balance	−74.7	−58.2	16.5	−208.2	−207.1	1.2
Debt Maastricht	2 374.9	2 386.1	11.2	2 657.4	2 662.2	4.8

Source : Insee, national accounts

Table 1-2 : Revision of public finance ratios from the benchmark 2014 to the benchmark 2020

	Year 2019			Year 2020		
	Benchmark 2014	Benchmark 2020	Revision (Benchmark 2020-Benchmark 2014)	Benchmark 2014	Benchmark 2020	Revision (Benchmark 2020-Benchmark 2014)
Government expenditure	55.4	55.2	-0.1	61.3	61.7	+0.4
Government revenue	52.3	52.8	+0.5	52.4	52.8	+0.4
Financing balance	-3.1	-2.4	+0.7	-9.0	-8.9	+0.0
Debt Maastricht	97.4	97.9	+0.5	114.6	114.9	+0.2

Note : Percentage of the GDP of the benchmark 2014
Source : Insee, national accounts

The recording of tax credit expenditures is advanced by one year

The most significant factor in revising the general government's financing balance is the adjustment and updating of the tax credit expenditure timeline. The effect of this recording change on the public balance is +€20.4 billion in 2019, then +€2.7 billion in 2020. A European consensus has emerged to account for tax credit expenditures at the time of their triggering event, that is, the economic event that establishes the right to the tax credit. Consequently, the European manual on debt and deficit (MGDD) was amended in 2022. Specifically, in the accounts of public administrations, the recording of tax credit expenditures is advanced by one year. This change leads to significant modifications in the subsidy timeline, especially in 2019 and 2020 with the tax credit for competitiveness and employment.

Expenditures and revenues are increased with the update of the scope of general government

The level of expenditures and revenues is structurally revised upwards due to the updating of the scope of general government. In total, updating the sector's scope leads to an increase in the consolidated expenditures of administrations by €11.8 billion in 2019 and €9.2 billion in 2020, as well as an increase in revenues by €9.4 billion in 2019 and €6.4 billion in 2020.

These revisions are particularly due to the full integration of SNCF Réseau, public broadcasting, and Action Logement Services into the scope of administrations. These reclassifications had been made by INSEE during the benchmark 2014 but had not yet been fully translated into all the aggregates of the accounts.

Conversely, ERAFP is classified in the benchmark 2020 outside the general government sector because its operations are now analyzed as belonging to a pension fund activity (defined contribution funded scheme): contributions to the ERAFP result in the creation of an asset for households, unlike a pay-as-you-go scheme. In addition, the ERAFP is autonomous in the implementation of its activity. Thus, public revenues are revised downwards by €2.7 billion in 2019 and €2.8 billion in 2020. Social benefits paid are also revised downwards (by -€0.5 billion in 2019 and -€0.5 billion in 2020). In total, this reclassification contributes to a decrease in the financing balance of administrations by €2.4 billion in 2019 and €2.3 billion in 2020.

The production for own final use in research and development and software is revised upwards

The production for own final use in research and development by administrations is revised upwards. Its estimation is based on the data of research and development expenditure in the administrations sector (*dépense intérieure de recherche et développement du secteur des administrations*, DIRDA), produced by the Ministry of Higher Education, Research, and Innovation. In the benchmark 2020, the revision of this estimate results from taking into account the research expenditures of hospitals and an improvement in the articulation between DIRDA and the source accounting data used in the national accounts. Thus, the production for own final use (receipt) and gross fixed capital formation (expenditure) in R&D products are revised upwards by €4.4 billion in 2019 and €4.1 billion in 2020. This revision is neutral on the financing balance of general government. Similarly, the production of software for own final use and the corresponding investment are revised upwards by €1.0 billion in 2019 and 2020, following the exploitation of data from the nominative social declaration (*déclaration sociale nominative*, DSN).

Other significant modifications to the calculation of government expenditure and revenue in the benchmark 2020

The timing for recording the replenishment of multilateral development banks concessional funds is now based on commitments rather than budgetary disbursements, in line with the updated MGDD. This methodological change leads to a revision in the timeline of these state capital transfer expenditures (+€1.3 billion in 2019 and -€0.5 billion in 2020).

State transfers to local public schools for financing the remuneration of educational assistants are reclassified as transfers between public administrations (consolidated) rather than as subsidies. Indeed, transfers received by non-market producers can only be recorded as a subsidy if they are paid under provisions also applicable to market producers, which is not the case for these transfers. Thus, expenditures and revenues are decreased, through consolidation, by €1.4 billion.

Finally, the estimation of housing services provided free of charge to public sector employees, recorded in remunerations (expenditures) and in sales (revenues) of administrations, is revised downwards by €1.1 billion for the two benchmark years, following the use of the Housing Survey data 2020.

General government debt is slightly increased in 2019 and 2020

The revisions to public debt in the benchmark 2020 are primarily due to the reclassification of ERAFP into the pension fund sector. Indeed, since Maastricht debt is consolidated, the State securities held by ERAFP contributed to reducing public debt as long as ERAFP was considered a public administration. In the benchmark 2020, with ERAFP no longer part of the general government, this consolidation disappears, and public debt is revised upwards by +€3.7 billion in 2019 and +€3.4 billion in 2020.

In 2019, the debt is temporarily increased due to the complete integration of the Action Logement Services unit into the general government sector. The Action Logement Services unit was integrated into the administration account during the benchmark 2014 from the 2020 accounting year only, the date on which ALS's deficit had significantly increased. The benchmark 2020 integrates the unit throughout the timeline. Therefore, the administrations' debt is revised for 2019 by +€7.8 billion.

2. Revising the public deficit timeline since 1995

The deficit timeline is primarily revised due to the shift in tax credit expenditures

The shift in recording tax credit expenditures is reflected in the deficit timeline during the implementation of the schemes, their ramp-up, and then their removal. As a result, the balance of administrations is revised downwards in 2013, the year the CICE was created, and then in 2014 and 2017, years when its rate was increased (► **Figure 2-1**). The balance for the year 2007 is also worsened with the advancement of the research tax credit.

The classification of ERAFP in the pension fund sector reduces the balance of general government since 2005

In the benchmark 2014, ERAFP was recorded in the general government's account since its creation in 2005. ERAFP was in the phase of reserve accumulation and received more contributions than it paid out in benefits. In the benchmark 2020, the reclassification of ERAFP into the pension fund sector consequently worsens the deficit since that date.

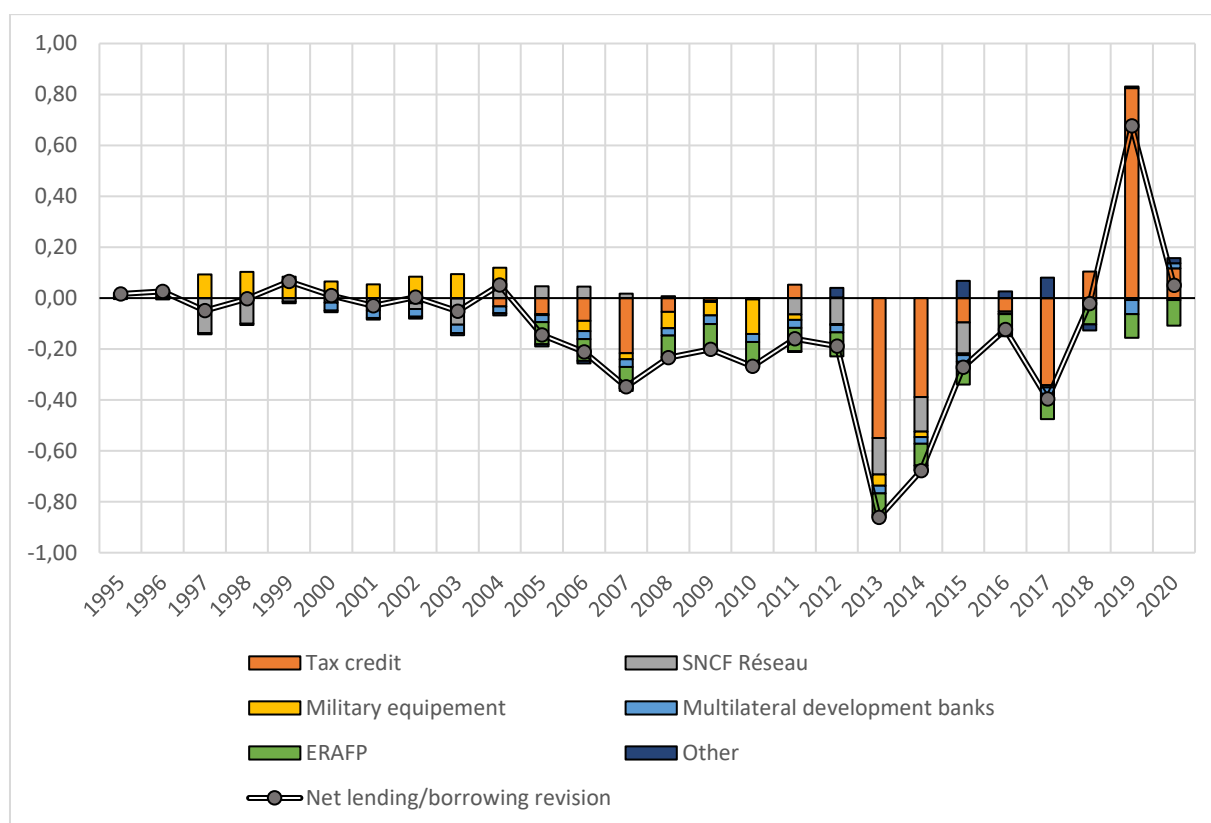*The deficit of SNCF Réseau and Réseau Ferré de France is integrated throughout the entire timeline*

In the benchmark 2014, Réseau Ferré de France (RFF) was considered a non-financial corporation until 2016. From 2016 onwards, the entity's cost-to-revenue ratio fell below 50%, which meant that, according to the rules of the European System of Accounts, the entity's deficit and debt were recorded in the general government sector. In the benchmark 2020, the entire timeline is reviewed to ensure better consistency and readability of time series, especially regarding public investment.

Other revisions to the deficit timeline

The series of military equipment investment expenditures is revised in the benchmark 2020. According to the European System of Accounts 2010, investment expenditures in weapon systems are recorded at the time of delivery rather than at the time of payment, including for payments made before 2005. In the benchmark 2014, an exception was indeed applied for these older payments, which were recorded according to the rules of the European System of Accounts 1995[2]. Therefore, this revision improves the general government balance before 2005 (when payments exceed deliveries) and worsens it after 2005 (when deliveries exceed payments).

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[2] The ESA 1995 considered expenditure on weapons systems as intermediate consumption expenditure and did not recommend recording this expenditure at the time of delivery. The ESA 2010 considers expenditure on weapons systems as capital expenditure, to be recorded at the time of the change in economic ownership of the asset, i.e. at the time of delivery.

Figure 2-1 : Revising the public administrations' financing balance as a percentage of GDP

## 3. Revising the public debt timeline since 1995

Railway infrastructures and the associated debt are reclassified into the public administrations' account across the entire timeline

In the benchmark 2014, the debt of SNCF Réseau was fully classified in the public administrations' account starting from 2016. Before that, Réseau Ferré de France (RFF) and then SNCF Réseau were considered non-financial corporations, but a portion of their debt was recorded in the administrations' account because the transfers from administrations and the entity's revenues were structurally insufficient to cover its costs.

In the benchmark 2020, the entire debt of Réseau Ferré de France and then SNCF Réseau is integrated into the administrations' account. Before the creation of Réseau Ferré de France, i.e., before 1997, a portion of SNCF's debt is attributed to the administrations' account, in a proportion equivalent to that assigned to RFF at the time of reorganization (► **Figure 3-1**)**.**

The effect of this revision can thus be distinguished into three periods. Before 1996, new debt is integrated into the administrations' account, amounting to €19.2 billion at the end of 1995. Then, the debt related to RFF is taken into account in full, not partially: the debt is increased by €5.3 billion in this respect in 1996. This increase reaches €32.1 billion at the end of 2015. Finally, the debt of SNCF Réseau is marginally revised from 2016 to 2020, due to the improved consideration of hedging instruments for the evaluation of the debt under Maastricht criteria.

Figure 3-1 : Revising general government debt as a percentage of GDP
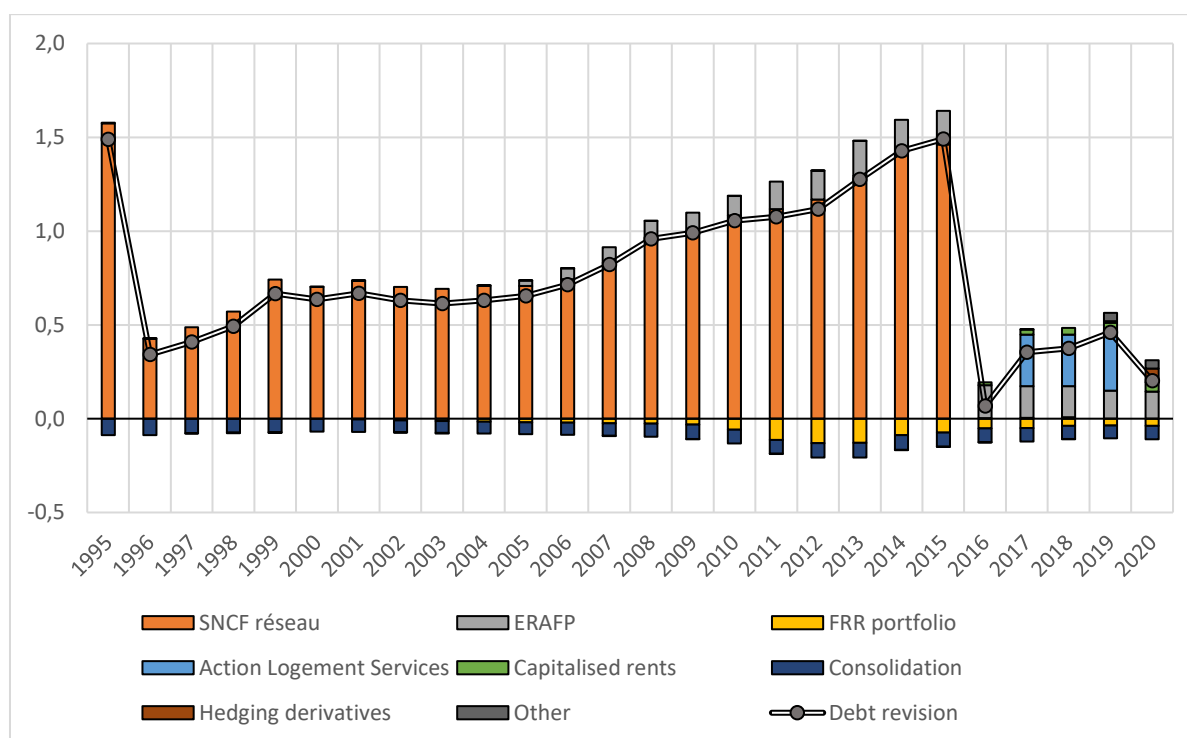
Other revisions to the debt timeline

The debt of Action Logement Services is integrated from the entity's creation in 2017, contributing to an upward revision of the debt since that date. The reclassification of ERAFP has led to an increase in debt since 2005.

In the benchmark 2014, capitalized rent payments from social landlords to the City of Paris were recorded in the national accounts as commercial advances, a category of liability excluded from the Maastricht debt scope. In the benchmark 2020, these long-term advances are reclassified as loans due to their duration and thus are included in the Maastricht debt perimeter. The debt of general government is increased by €1.0 billion in 2019 and €1.1 billion in 2020 through the contribution of local government.

Finally, aside from the effect of ERAFP's reclassification, the consolidation amounts of the debt are slightly revised upwards. The share of state-issued securities in the portfolio of the Pension Reserve Fund is thus revised upwards following an analysis of the entity's portfolio. Similarly, the share of local administration credit outstanding held by general government is increased.

Links

MGDD, 2023, *Manual on Government Deficit and Debt – Implementation of ESA 2010 – 2022 edition*

DIRDA, Les dépenses de recherche des administrations, Ministère de l'enseignement supérieur et de la recherche