A strategy for continued fiscal consolidation

Stability Programme

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Forging ahead with reforms to make the French economy more competitive, efficient and fair

- Responsibility and Solidarity Pact
- Ongoing reforms (National Reform Programme)

Continuing fiscal consolidation for greater latitude

- Tighter control over spending while continuing to fund priority areas
- Gradual reduction in the tax burden for businesses and medium- and low-income households
Conservative assumptions to ensure targets are met

Floor level growth projections:
1% in 2014, 1.5% in 2016 and 2017

- The green shoots of recovery in consumption and purchasing power have been visible since the start of the year
- The euro’s fall is breathing life into exports
- The recovery in investment will help underpin growth

Inflation will gradually pick up:
- Zero inflation on average in 2015, 1% in 2016 and 1.4% in 2017
Conservative macroeconomic assumptions

<table>
<thead>
<tr>
<th>Source</th>
<th>GDP growth</th>
<th>Inflation</th>
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<td>European Commission (5 February)</td>
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<td>Consensus (12 March)</td>
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Recovery in household consumption and purchasing power

Change in household consumption and purchasing power

- Purchasing power
- Consumption
Margins recovering and investment set to improve

Margins

Corporate investment

Non-financials (NFs)

NFs excl. construction sector
Shrinking deficits

- Better-than-expected budget outturn in 2014
- Conservative macroeconomic assumptions
- Gradual return to below 3% by 2017
Falling tax burden

Tax burden

Introduction of CICE and Responsibility and Solidarity Pact

Abolition of lowest income tax bracket (9 million beneficiaries)
Stable debt levels in 2016
Deficits to be brought down to below 3% by 2017 while maintaining growth

Recommendation of 10 March

<table>
<thead>
<tr>
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2015 Stability Programme

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Expenditure reduction in line with projections

Better-than-expected budget outturn in 2014

Ongoing expenditure reduction efforts

Additional measures required to offset the impact of weak inflation:
- €4bn in 2015
- €5bn in 2016

Note: Government expenditure to GDP excluding tax credits and cost of debt servicing
Additional measures in 2015

Goal set: expenditure reduction efforts by all general government sub-sectors
- €1.2bn - central government and central government agencies
- €1bn - healthcare and social protection
- No additional efforts will be required of local government to avoid dampening investment

New information taken into account:
- €400m extra revenue received by Offshore Disclosure Unit (STDR)
- €200m extra income from dividends
- Cost of debt servicing €1.2bn lower than forecast