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# Flash Economics

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# France: The issue with public finances stems from public spending increasing faster than productivity

Labour productivity in France has declined by 1.5% since the beginning of 2019. Meanwhile, public spending—particularly social protection expenditures—has continued to rise in real terms, increasing by 7.6% over the same period. This largely explains the widening of the public deficit. Reducing the public deficit in France will therefore require either a strong rebound in productivity, which appears unlikely given the underinvestment in new technologies and the low level of skills, or a reduction in public spending, especially social spending, in real terms. Clearly, the French population does not support this prospect.

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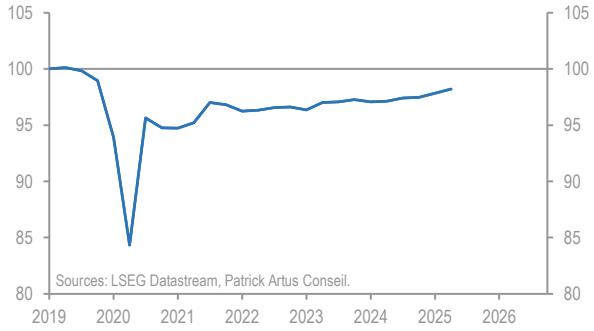
## Gap between labour productivity growth and real public spending growth

Since the beginning of 2019, **labour productivity in France has declined by 1.5%** (**Charts 1A/B**).

**Chart 1A**
**France: Productivity per head (2010.Q1 = 100)**




**Chart 1B**
**France: Productivity per head (2019.Q1 = 100)**




**Social protection expenditures increased by 3.4% in real terms between 2019 and 2023** (deflated by the GDP deflator, **Charts 2A/B**).

**Chart 2A**
**France: Public expenditure on health and social protection (in billions of constant euros)**

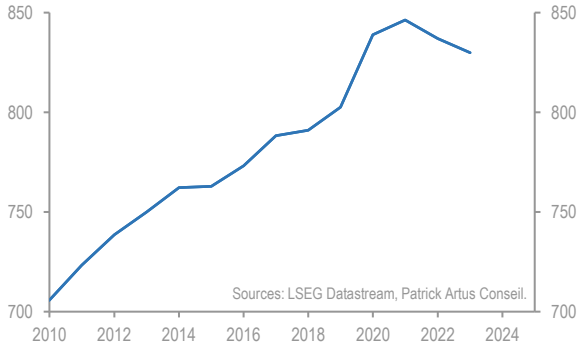
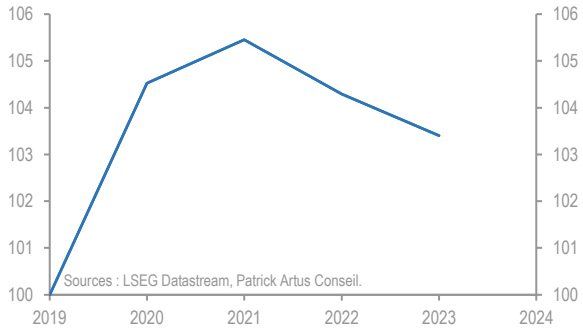



**Chart 2B**
**France: Public expenditure on health and social protection in constant euros (2019 = 100)**




**Total public spending rose by 7.6% in real terms between 2019 and 2024** (**Charts 3A/B**), despite the decline in productivity.

**Chart 3A**
**France: Public expenditure (in billions of constant euros)**

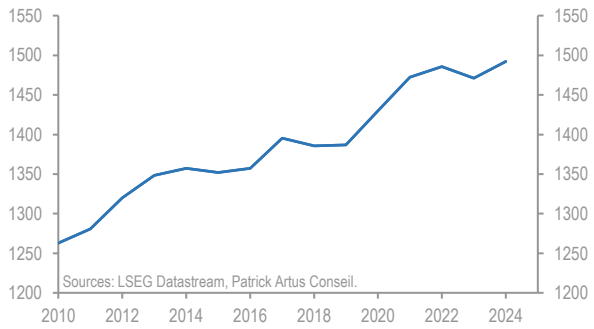
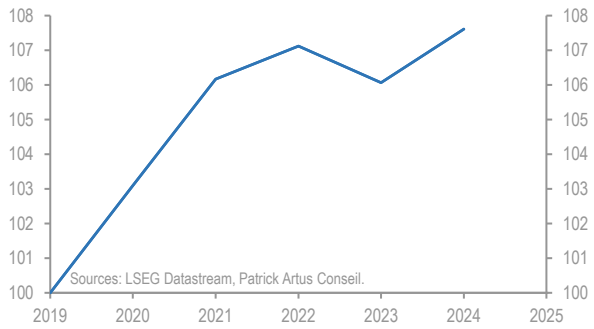



**Chart 3B**
**France: Public expenditure in constant euros (2019 = 100)**

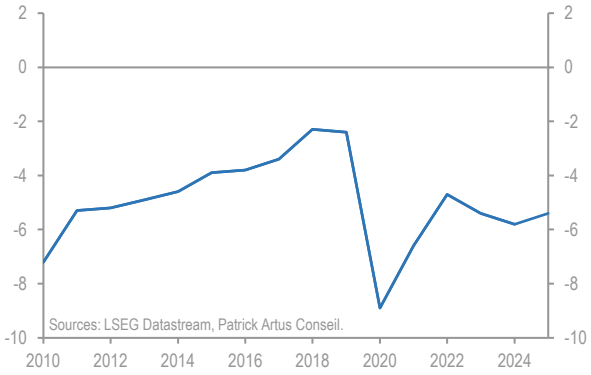


## It is not surprising, then, that the public deficit has widened.

The decline in productivity from 2019 to 2025 has not stopped French governments from raising public spending and social protection expenditures in real terms.

This gap between productivity growth and the increase in public spending **accounts for most of the widening of the public deficit since 2019** (**Chart 4**).

**Chart 4**
**France: Fiscal deficit (as % of nominal GDP)**




## Summary: How can the public deficit in France be reduced?

The public deficit stems from the contrast between declining productivity and rising public and social protection spending. To reduce the public deficit, one of the following would be necessary:

- **either a renewed increase in labour productivity**, which is unlikely given the low level of investment in new technologies (**Chart 5A**), the limited size of the technology sector (**Chart 5B**), and weak skill levels (**Table 1**);

**Chart 5A**
**Investment in information and communication technologies (in value terms, as % of nominal GDP)**

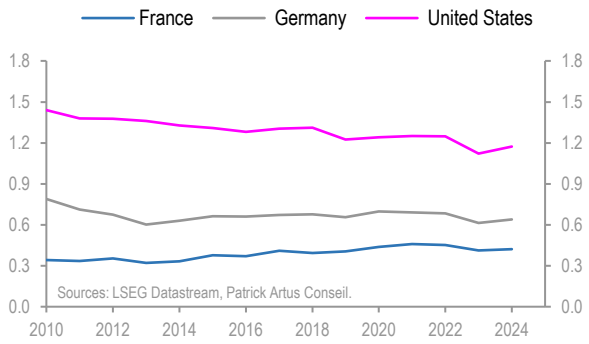



**Chart 5B**
**Gross value added of the ICT sector (as % of nominal GDP)**

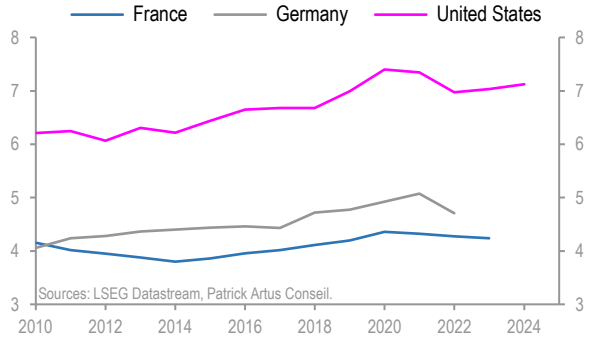



**Table 1 : Results of the OECD PIAAC survey (by decreasing score from the 2023 survey, overall score)**

| Country | 2023 |
|---|---|
| Finland | 289 |
| Japan | 285 |
| Sweden | 281 |
| Canada | 267 |
| Germany | 267 |
| England (UK) | 266 |
| France | 253 |
| United States | 251 |

Source: OECD.

- **or a reduction in total public spending, particularly social protection expenditures, in real terms**.

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