Financial forecasts

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2024-2027

11 June 2024

The elements presented in these financial forecasts for June 2024 **do not take into account the effects of the measures announced by the government at the end of May.** These measures may be the subject of an impact study once the definitive measures are known *(see Box p.11)*.

OVERVIEW

After a sluggish 2024, activity is expected to pick up again in 2025. Until 2027, the unemployment insurance scheme's financial situation will remain marked by positive financial balances. However, the high level of government contributions would slow down the reduction in the scheme's debt.

The economy is expected to be sluggish in 2024, growing by a modest 0.8%, after +1.1% in 2023. Growth should pick up again in 2025 (+1.2%), and then more strongly in 2026 (+1.5%) and 2027 (+1.4%), according to the consensus economists. Inflation is on the way out: from a level of +2.5% in 2024, it will then be below 2% until 2027, signalling a return to price stability.

After a rebound in employment in the 1st quarter of 2024, net job creation is expected to continue for the rest of the year (+100,000, a rate comparable to that observed in 2023). In 2025, net job creation should reach 112,000. An acceleration is expected in 2026 (+180,000) and 2027 (+182,000).

In this context, and without taking into account the effects of the new measures announced by the government *(see Box p.11),* the number of people receiving unemployment benefit would reach a level close to that observed at the end of 2023 (2.6 million people) by the end of 2024. From 2025 onwards, this number will fall to 2.3 million by the end of 2027, due to the full implementation of the 2023 unemployment insurance reform.

Unemployment insurance receipts will be heavily affected by the levies planned by the State, totalling €12.05 billion between 2023 and 2026. As a result, revenues will be €45.7bn in 2024 (after a €2.6bn levy by the State), €46.1bn in 2025 (after a €3.4bn levy) and €46.6bn in 2026 (after a €4.1bn levy). At this stage, no levy has been scheduled for 2027, which would result in revenue of €51.9bn.

After rising to €44.8bn in 2024, unemployment insurance expenditure will fall to €40.2bn in 2027. This overall decrease conceals one noteworthy fact: interest expenditure, linked to the financial management of the scheme, is expected to increase, at a cumulative additional cost of almost €1bn between 2023 and 2027. State deductions from Unédic's revenues force the scheme to borrow to meet its financial commitments.

Positive balances over the forecast horizon would enable the scheme to continue to reduce its debt, but at a slower rate than would have been the case without State levies: from €58.4bn at the end of 2024, net debt would fall to €38.2bn at the end of 2027 (the year for which no levies are planned at this stage).

Note: Unédic uses as its growth and inflation assumptions the forecasts of the Economists' Consensus, an average of the forecasts of around twenty institutes and banks, published each month. This forecast is based on the Consensus of Economists published on 11 April for 2026 and 2027 and on 16 May 2024 for 2024 and 2025.

The potential effects of the Plein emploi law, which provides for widespread registration with France Travail in 2025, particularly for RSA recipients, have not been included in this forecasting exercise.

1. MACROECONOMIC ENVIRONMENT: FALLING INFLATION AND ATONE ACTIVITY

ACTIVITY WILL SLOW IN 2024 BEFORE GRADUALLY PICKING UP AGAIN FROM 2025 ONWARDS

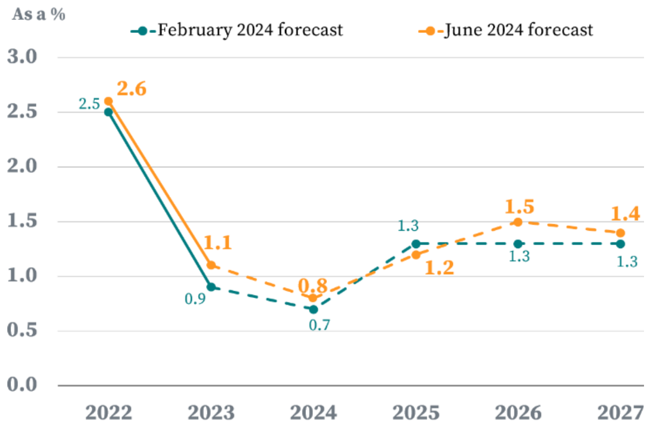
In the 1st quarter of 2024, activity increased by +0.2% (following a +0.3% rise in the 4 quarter of 2023, in quarterly variation). Activity is expected to rise at a similar pace over the rest of 2024, taking annual growth to +0.8% according to the consensus economists (after +1.1% year-on-year in 2023).

The weak momentum in activity should therefore continue in 2024. The high level of interest rates should continue to have a negative impact on investment spending, although the fall in inflation should lead to an improvement in consumer spending. [1]In addition, the Summer Olympics to be held in France in July and August 2024 are not expected to have a significant effect on overall economic growth.

The recovery in economic activity should gradually take hold from 2025 onwards, driven by a further fall in inflation and the expected improvement in financing conditions as a result of lower interest rates. GDP is then expected to grow by 1.2% in 2025, with more sustained growth in 2026 (1.5%) and 2027 (1.4%) *(Graph 1 and Table 1)*.

It should be noted that, at the end of May, INSEE made methodological revisions to the national accounts series (change of base and new estimates of the annual accounts for the last three years). These changes to the national accounts have been incorporated into our GDP forecast scenarios.

CHART 1 - GROWTH ASSUMPTIONS



Sources: Insee for the actual figures, Consensus Forecasts, Unédic's June 2024 financial forecasts.

TABLE 1 - COMPARISON OF VARIOUS GDP FORECAST SOURCES

GDP volume growth	2023	2024	2025	2026	202
Unédic (Consensus of May 2024)*	**1.1%**	**0.8%**	**1.2%**	**1.5%**	**1.4**
European Commission (May 2024)	0.9%	0.7%	1.3%		
OECD (May 2024)	0.9%	0.7%	1.3%		
Government (pstab, April 2024)	0.9%	1.0%	1.4%	1.7%	1.8
IMF (April 2024)	0.9%	0.7%	1.4%		
OFCE (April 2024)	0.9%	0.5%	1.2%		
Bank of France (March 2024)	0.9%	0.8%	1.5%	1.7%	
Unédic forecast of February 2024	*0.9%*	*0.7%*	*1.3%*	*1.3%*	*1.3*

* April 2024 consensus for 2026 and 2027 forecasts

Sources: Consensus Forecasts, 2024 Stability Programme, IMF, OECD, Banque de France macroeconomic projections, Unédic financial forecasts for June 2024.

Note: INSEE's revision of historical national accounts data was published on 31 May 2024 and has therefore not been incorporated by the other institutions mentioned above.

[1] Assessments of the economic impact of similar events organised in the past in France or abroad point to a number of effects. Firstly, there is a strong substitution effect between, on the one hand, the positive benefits reaped by certain sectors and regions and, on the other hand, the losses suffered by other regions or sectors (e.g. sports tourism vs. family and cultural tourism). Secondly, spending on infrastructure may have been at the expense of other budgets, may have been spread over several years and may have served several purposes.
CDES and KENEO (2016), Study on the economic impact of Euro 2016 (https://www.sports.gouv.fr/etude-sur-l-impact-des-retombees-economiques-de-l-euro-2016-1528).
Asterès (2024), Paris Olympics: no significant macroeconomic impact to be expected (https://asteres.fr/jo-de-paris-pas-dimpact-macro-economique-notable-a-attendre/).

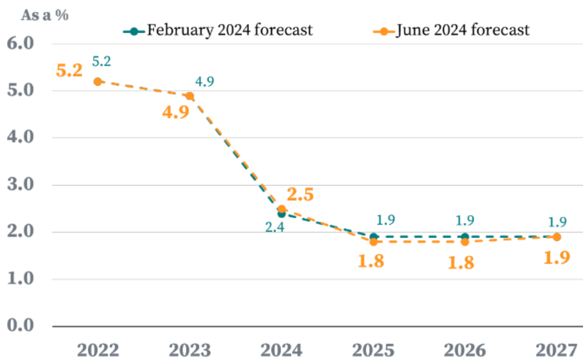
RENEWED STABILITY IN PRICE GROWTH

Inflation peaked at +6.3% in February 2023 (year-on-year) and has been on a downward trend since then, falling to +2.2% in May 2024 (year-on-year). This fall in inflation shows that the inflationary shock that began at the end of 2021 has largely been absorbed; the economy would therefore return to a path of price stability, i.e. inflation below +2.0%.

In our forecast scenario, this return to price stability would be gradual, so that average inflation would be +2.5% in 2024, +1.8% in 2025 and 2026, ending up at +1.9% in 2027 *(Graph 2 and Table 2)*.

The European Central Bank (ECB) now considers this fall in inflation to be conducive to easing monetary policy. On June 6, the ECB's Governing Council initiated the first 25 basis points (bp) cut in its key rates, after having raised them by 450 bp between mid-2022 and mid-2023. This easing is likely to encourage economic activity. It will be all the more so as it will be followed by further rate cuts, which, depending on their pace and scale, will affect the momentum of the recovery.

CHART 2 - INFLATION ASSUMPTIONS (CONSUMER PRICE INDEX)



Sources: Insee for the actual figures, Consensus Forecasts, Unédic's June 2024 financial forecasts.

TABLE 2 - COMPARISON OF VARIOUS INFLATION FORECASTS SOURCES

Inflation	2023	2024	2025	2026	2027
Unédic (May 2024 consensus*; CPI)	**4.9%**	**2.5%**	**1.8%**	**1.8%**	**1.9%**
European Commission (May 2024; HICP)	5.7%	2.5%	2.0%		
OECD (May 2024; HICP)	5.7%	2.7%	2.1%		
Government (pstab, April 2024; CPI)	4.9%	2.5%	1.7%		
IMF (April 2024; HICP)	5.7%	2.4%	1.8%	1.7%	
OFCE (April 2024; CPI)	4.9%	2.4%	2.2%		
Bank of France (March 2024; HICP)	5.7%	2.5%	1.7%		
Unédic forecast of February 2024 (CPI)	*4.9%*	*2.4%*	*1.9%*	*1.9%*	*1.9%*

* April 2024 consensus for 2026 and 2027

Sources: Consensus Forecasts, Draft 2024 Finance Act, OECD, Banque de France macroeconomic projections, Unédic's June 2024 financial forecasts.
Note: The CPI is the Consumer Price Index. The HCPI is the Harmonised Consumer Price Index, designed for international comparisons to assess the price stability convergence criterion under the Maastricht Treaty.

JOB CREATIONS REMAIN BUOYANT

The slowdown in net job creation continued as the year 2023 progressed, to the point where it ended with a slight decline in the 4th quarter (-16,000 jobs compared to the previous quarter). *In the end,* private sector employment rose by 96,000 net new jobs over 2023 as a whole, and the number of employees in the private sector stood at 21.1 million at the end of the year.

Despite the slowdown in cyclical labour market indicators (hiring declarations, employment climate, etc.) and the sluggish pace of activity, private employment rebounded by +61,000 net new jobs in the first quarter of 2024. However, this rebound was not uniform across sectors, with employment rising in the market and non-market services sectors, as well as in industry, while falling in construction and temporary work.

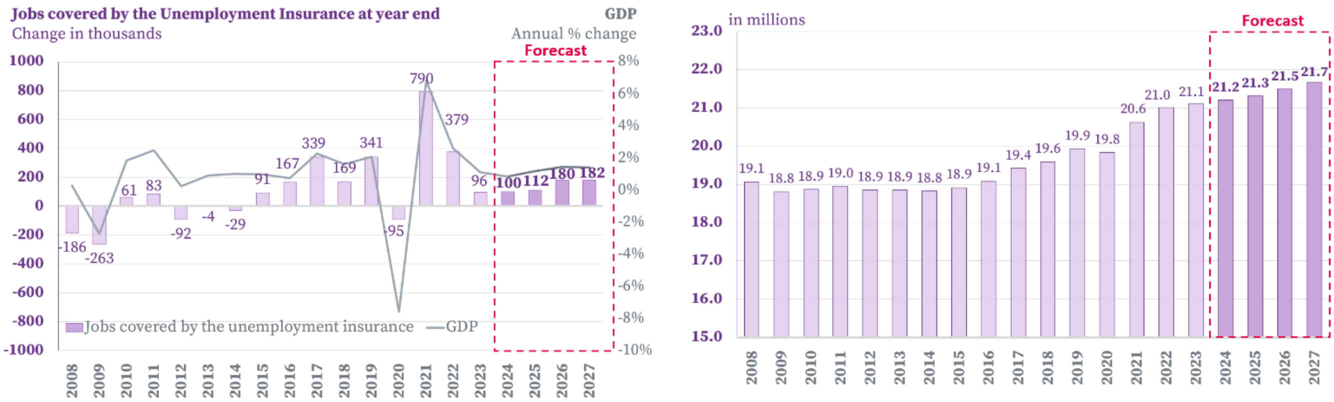
Following this rebound in employment in the 1st quarter, net job creation is expected to continue throughout the rest of 2024, as businesses continue to hire in response to changes in activity. **Private-sector** employment **should once again follow a positive trajectory in 2024, with 100,000 net new jobs created, a rate very similar to that seen in 2023.** In 2025, the volume of net job creations will be slightly more favourable, with +112,000 net job creations *(Chart 3A)*.

Net job creation would then accelerate as economic activity picks up. **Private sector employment would thus record +180,000 net additional jobs in 2026 and +182,000 in 2027**, reaching 21.7 million jobs by the end of 2027 *(Chart 3B)*.

The contribution of public employment policies (subsidised contracts, apprenticeships, etc.) is expected to be fairly modest over the forecast horizon, with only apprenticeships making a significant positive contribution. These public policy forecasts are made on the basis of a constant regulatory framework and using the latest communications from the public authorities in this area.

CHARTS 3A AND 3B - CHANGE AND NUMBER OF JOBS AFFILIATED WITH THE UNEMPLOYMENT INSURANCE SCHEME

A - ANNUAL CHANGE, IN THOUSANDS **B - YEAR-END LEVEL, IN MILLIONS**



Sources: GDP: Insee, Consensus Forecasts; jobs covered by the Unemployment Insurance: Unédic's June 2024 financial forecasts based on salaried employment data co-produced by the Insee, the Urssaf Caisse nationale and the Dares.
Scope: jobs covered by the Unemployment Insurance. France excluding Mayotte. Seasonally adjusted data.

IN THE SHORT TERM, THE UNEMPLOYMENT RATE IS EXPECTED TO REMAIN STABLE

Against a backdrop of very modest economic activity at the start of the year, the ILO unemployment rate was stable at 7.5% of the working population in the 1st quarter of 2024. It is expected to rise slightly to 7.6% by the end of 2024, before stabilising at this level in 2025. This slightly upward trajectory can be explained by the increase in the working population as a result of the pension reform, despite the fact that job creation is expected to be fairly good in 2024 and 2025.

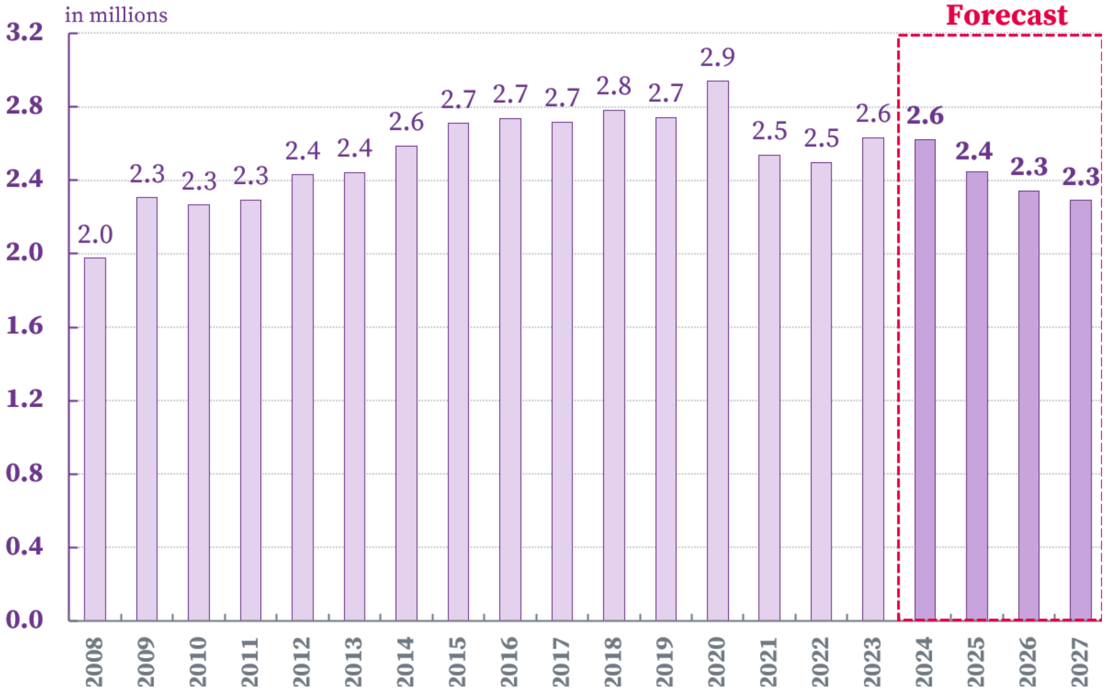
From 2026 onwards, stronger growth in activity would lead to more significant employment gains, which would trigger a fall in the unemployment rate. In 2027, after two years of decline, the unemployment rate would reach 7.0% at the end of the year.

As a reminder, this forecast does not take into account the potential effects of the generalised registration of RSA beneficiaries with France Travail from 2025, which could have an upward impact on the unemployment rate.

By the end of 2022, the number of people receiving unemployment benefit had fallen to 2.5 million. This figure rose throughout 2023, reaching 2.6 million at the end of the year. This upward trend is expected to continue at the beginning of 2024 as a result of the moderate rise in unemployment forecast, but will be of a transitory nature: at the end of 2024, the number of people receiving unemployment benefit will reach a level close to that observed at the end of 2023, i.e. 2.6 million people.

From 2025 onwards, the number of people receiving unemployment benefit will fall more sharply, reaching 2.3 million by the end of 2027, as a direct result of the 2023 reform of the unemployment insurance scheme, which will continue to be rolled out, and the recovery in economic activity *(Graph 4)*.

CHART 4 - NUMBER OF UNEMPLOYED RECEIVING UNEMPLOYMENT BENEFITS, YEAR-END LEVEL, IN MILLIONS



Sources: France Travail, Unédic's June 2024 financial forecasts.
Scope: unemployment benefits paid under ARE, AREF, ASP, AREP or ATI schemes. Whole of France. Seasonally adjusted data.

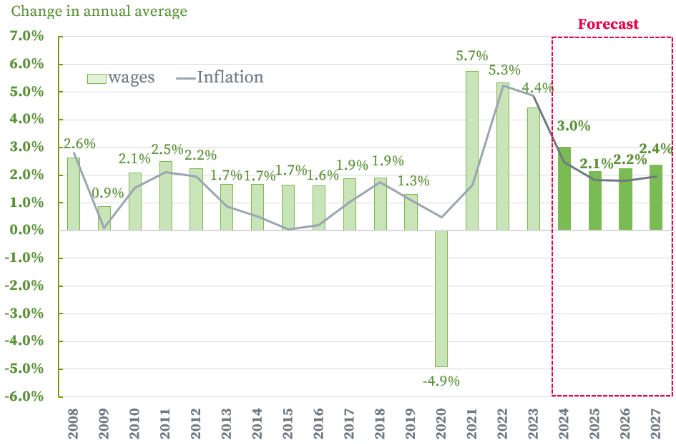
SLIGHT RISE IN REAL WAGES IN PROSPECT

As part of its macroeconomic and financial forecasts, the payroll forecast by Unédic corresponds to a payroll subject to social security contributions. Unédic's forecast of the average wage per employee (APWE) therefore corresponds to an APWE subject to contributions.

In 2023, this APWE increased by +4.4%, while inflation measured by the consumer price index rose at the higher rate of +4.9%. From 2024 onwards, wages are expected to rise at a faster rate than prices, leading to gains in purchasing power for employees, although these are likely to remain relatively modest. **In 2024, the APWE is expected to rise by +3.0%** *(Charts 5A and 5B)*, **then by around +2.2% per year on average between 2025 and 2027.**

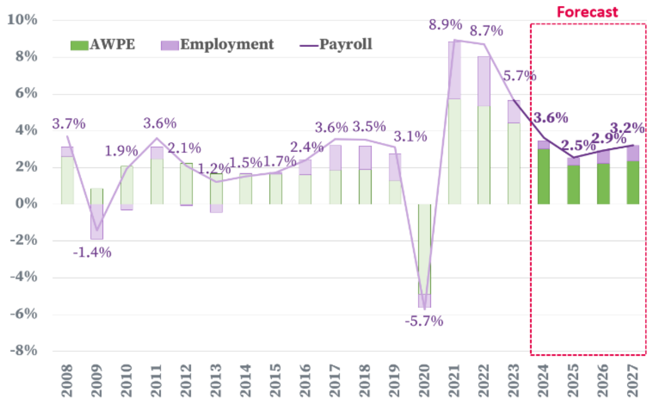
In 2024, the wage bill is expected to increase by +3.6%, after +5.7% in 2023. This slowdown in the wage bill would be attributable partly to the slowdown in the APWE and partly to the slowdown in job creation. As in 2024, the contribution of employment to wage bill growth would be modest in 2025. The wage bill would then grow by +2.5% in 2025. From 2026 onwards, the upturn in job creation would enable the wage bill to show an upward trajectory: +2.9% in 2026 and +3.2% in 2027.

CHART 5A - CHANGE IN AVERAGE WAGE PER EMPLOYEE SUBJECT TO CONTRIBUTIONS (AWPE)



Sources: Urssaf Caisse nationale, Insee, Consensus Forecasts and Unédic's June 2024 financial forecast

CHART 5B - CHANGE IN PAYROLL SUBJECT TO CONTRIBUTIONS



Sources: Urssaf Caisse nationale for the AWPE and payroll, Insee for employment, Unédic's June 2024 financial forecasts.
Scope: payroll subject to the competitive sector social security contributions.

TABLE 3 - SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2022	2023	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Growth, Prices and Wages						
GDP	**+2.6%**	**+1.1%**	**+0.8%**	**+1.2%**	**+1.5%**	**+1.4%**
CPI Inflation	+5.2%	+4.9%	+2.5%	+1.8%	+1.8%	+1.9%
Average wage per employee (AWPE) in the competitive sector	+5.3%	+4.4%	+3.0%	+2.1%	+2.2%	+2.4%
Employment and Payroll						
Jobs covered by the Unemployment Insurance						
Change in annual average as percentage	**+2.7%**	**+1.2%**	**+0.4%**	**+0.4%**	**+0.7%**	**+0.8%**
annual average level	20,815,000	21,072,000	21,167,000	21,255,000	21,398,000	21,578,000
level at year end	21,006,000	21,102,000	21,202,000	21,314,000	21,494,000	21,675,000
year-on-year at year end	+379,000	+96,000	+100,000	+112,000	+180,000	+182,000
Payroll in the competitive sector	**+8.7%**	**+5.7%**	**+3.6%**	**+2.5%**	**+2.9%**	**+3.2%**
Unemployment						
Unemployment receiving unemployment insurance (ARE, AREF, ASP, AREP, ATI)						
Change in annual average as percentage	**-12.0%**	**+4.4%**	**+2.3%**	**-5.0%**	**-5.3%**	**-2.9%**
Annual average level	2,473,000	2,582,000	2,643,000	2,511,000	2,377,000	2,307,000
level at year end	2,497,000	2,631,000	2,621,000	2,447,000	2,342,000	2,290,000
year-on-year at year end	-41,000	+134,000	-10,000	-174,000	-105,000	-52,000
ILO unemployment rate (year-end)	**7.1%**	**7.5%**	**7.6%**	**7.6%**	**7.4%**	**7.0%**

Sources: Consensus Forecasts, Insee, Urssaf, France Travail, Unédic's June 2024 financial forecasts.
Scope: France excluding Mayotte, seasonally-adjusted data for covered employment and ILO unemployment; whole of France, seasonally-adjusted data for unemployed receiving benefits

2. FINANCIAL SITUATION 2024-2027: UNÉDIC CONTINUES TO REDUCE ITS DEBT

UNEMPLOYMENT BENEFIT EXPENDITURE TO REMAIN CONTAINED, THEN DECREASE

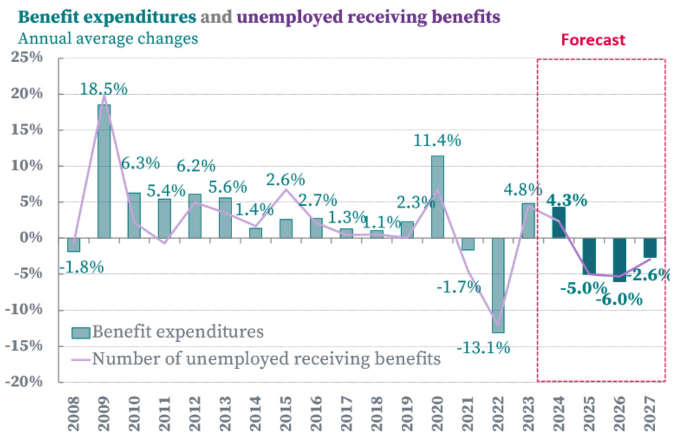
As a result of the rise in unemployment, the number of people receiving unemployment insurance benefits was higher in 2023, and consequently benefit expenditure increased to €35.0bn after €33.4bn in 2022.

Expenditure on benefits is forecast to rise again in 2024 due to the continuing increase in the number of unemployed receiving benefits at the start of 2024. In addition, the inflationary context has had a strong upward impact on nominal wages. As a result, the forecast is for entitlements to be opened at higher benefit levels as a result of these wage increases. [2]The increase in benefit expenditure also reflects the effects of the two revaluations in 2023. In summary, expenditure on benefits is expected to rise again in 2024, to €36.7bn *(Charts 6A and 6B)*.

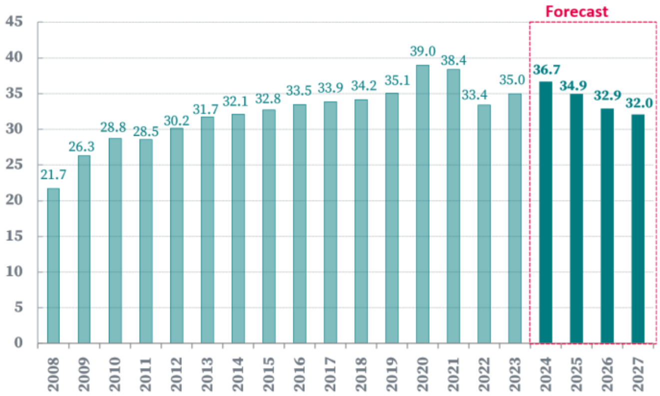
From the second quarter of 2024, as the 2023 reform continues to be implemented, the number of unemployed receiving benefits will begin to fall throughout the forecast horizon. This would lead to a fall in expenditure in subsequent years, which would be amplified by regulatory changes in 2021 and 2023. Expenditure would thus reach €32.0bn by the end of 2027.

CHART 6A AND 6B - UNEMPLOYMENT BENEFIT EXPENDITURES

A - ANNUAL CHANGE %



B - LEVEL, IN € BILLIONS

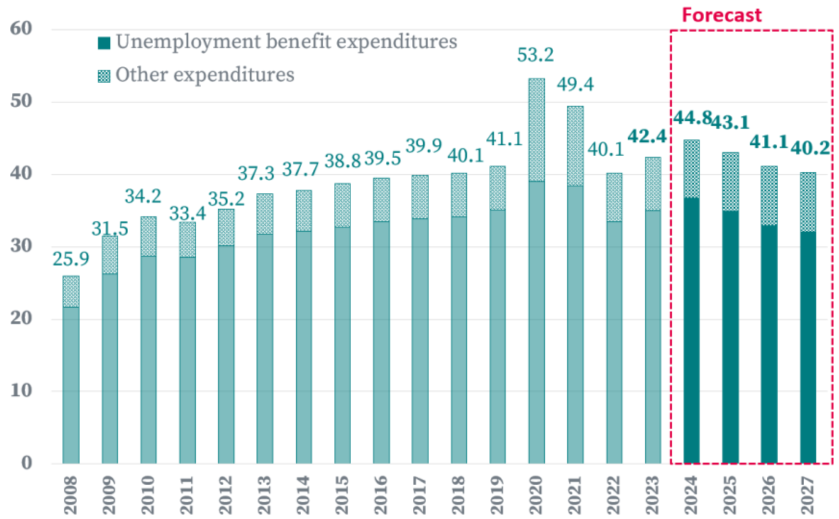


Sources: France Travail, Unédic, Unédic's June 2024 financial forecast
Scope: Whole of France

[2]As a reminder, in 2023 the Unédic Board of Directors voted for two increases in unemployment benefit: an extraordinary increase of +1.9% on 1 April 2023 and an increase of +1.9% also on 1 July 2023. They are taken into account here. Our forecasts also include revaluation assumptions for the coming years that do not prejudge future decisions by the Unédic Board of Directors. For the next few years, we have assumed a revaluation of +0.6%, which corresponds to the 5-year average of revaluations that took place before 2022.

Unédic not only finances compensation for jobseekers, but also a large part of France Travail's operations, supplementary pension points for recipients of compensation and partial activity (financing one third of the compensation paid to employers). In addition to these items of expenditure, there is also interest on the financial management of the scheme. Together with expenditure on benefits, these items make up Unédic's total expenditure, which follows a similar trajectory to that of unemployment benefit expenditure *(Chart 7)*. After rising to €40.1 billion in 2022, total expenditure by Unédic will have risen to €42.4 billion by 2023. In 2024, they will continue to rise to reach €44.8bn, before falling significantly from 2025 onwards to reach €40.2bn by the end of 2027 *(Table 4)*. As a reminder, these figures do not take into account the effects of the unemployment insurance reform announced by the Prime Minister at the end of May *(Box p.11)*.

CHART 7 - TOTAL EXPENDITURES, OF WHICH UNEMPLOYMENT BENEFIT EXPENDITURES, IN € BILLIONS



Sources: Unédic, Unédic's June 2024 financial forecasts
Scope: Whole of France.

REVENUE FORECAST TO CONTINUE TO GROW DESPITE LOWER COMPENSATION FOR GENERAL TAX CUTS

Pursuant to the Social Security Financing Act for 2024, the Order of 27 December 2023 specifies that **the financing of France Travail and France Compétences will result in reduced compensation for exemptions of €12.05 billion from Unemployment Insurance revenues between 2023 and 2026**: €2.0 billion in 2023, €2.6 billion in 2024, €3.35 billion in 2025 and €4.1 billion in 2026. The decree does not specify the amount of the levy in 2027. [3]For Unédic, these levies take the form of reduced compensation for general reductions in employers' contributions.

This reduced compensation will attenuate the growth in revenues from the unemployment insurance scheme. Thus, in 2023, contributions will have fallen by €0.7 billion, while at the same time the wage bill will have increased by 5.7%. This decoupling between payroll growth and growth in scheme revenues will therefore continue over the forecast horizon.

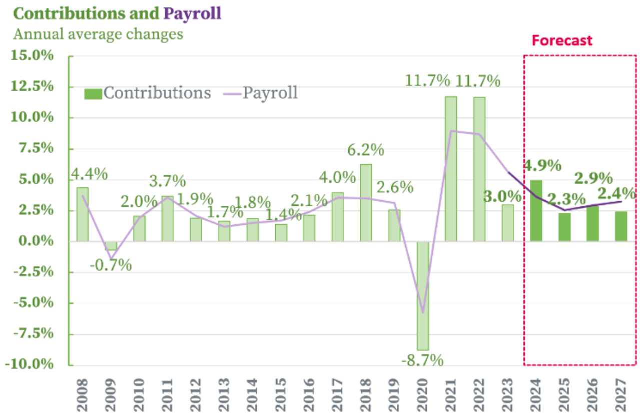
In fact, in the absence of these reduced compensations, unemployment insurance contributions would show an upward trajectory according to our payroll scenario *(Charts 8A and 8B).* Taking these lower compensations into account leads to much more modest increases in revenues until 2026, as no levies have been stopped thereafter *(Graph 9).* Nevertheless, unemployment insurance contributions, and with them Unédic revenues, are expected to remain on a slightly positive trajectory until 2026. From €43.9bn in 2023, Unédic's revenues would rise to €45.7bn in 2024, €46.1bn in 2025, €46.6bn in 2026 and €51.9bn in 2027 in the absence of the planned levy.

Please note: these forecasts are based on the assumption that the abolition of the employee portion of unemployment insurance contributions will continue to be fully offset by a proportion of CSG-activity.

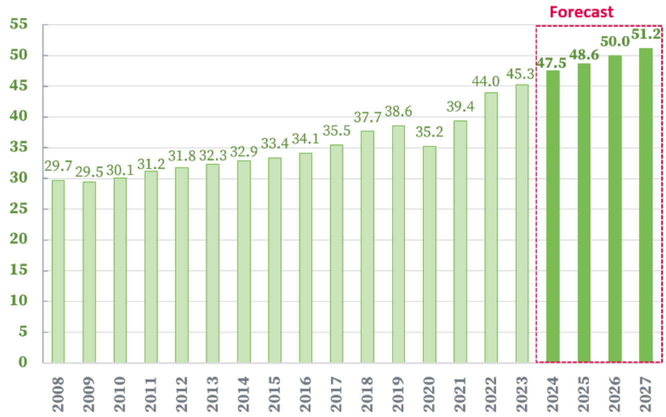
[3] Employers' unemployment insurance contributions have been included in the scope of general reductions since 2019.

CHART 8A AND 8B - UNEMPLOYMENT INSURANCE CONTRIBUTIONS EXCLUDING STATE DEDUCTIONS

A - ANNUAL % CHANGE

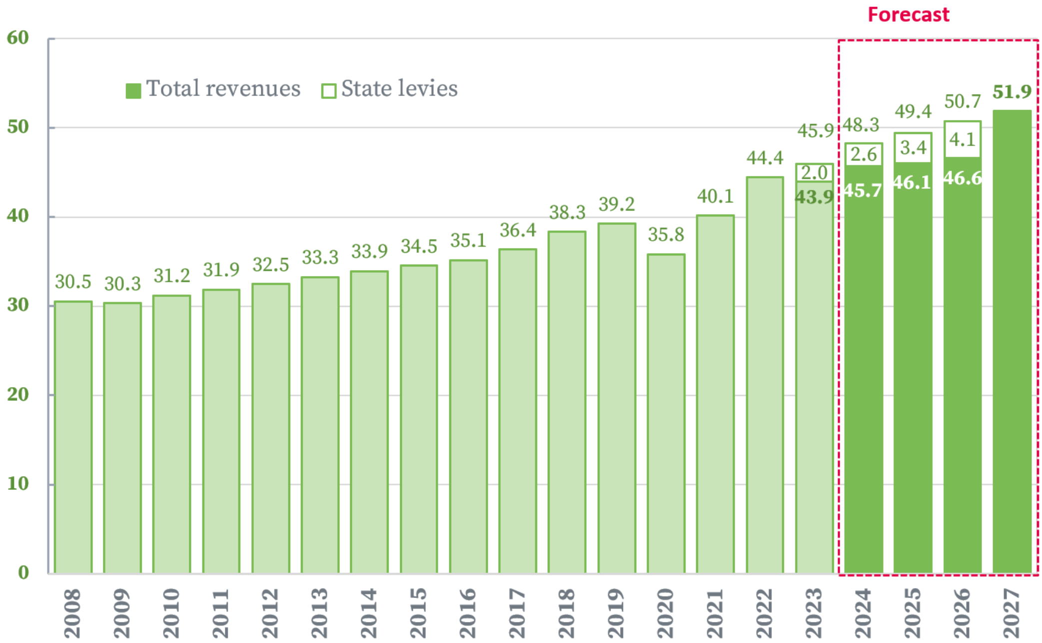


B - LEVEL, IN € BILLIONS



Sources: Urssaf Caisse nationale, Unédic, Unédic's June 2024 financial forecasts.
Scope: payroll subject to the competitive sector social security contributions.

CHART 9 - TOTAL UNEMPLOYMENT INSURANCE REVENUES WITH STATE DEDUCTIONS, IN € BILLIONS



Sources: Unédic, Unédic's June 2024 financial forecasts.

BOX - POTENTIAL EFFECTS OF THE ANNOUNCED NEW REFORM OF UNEMPLOYMENT INSURANCE (2024 REFORM)

The government has announced a new reform of the unemployment insurance scheme and submitted a draft decree for consultation. The decree is due to be published by 30 June, with measures due to come into force on 1 December 2024.

One of the main measures is the increase from 6 to 8 months in the condition for entitlement, combined with a reduction in the period over which this condition is applied. This results in a reduction in the maximum duration of entitlement, which is the source of most of the savings that this reform would produce: as soon as these provisions come into force, fewer people will be entitled to benefits, which will quickly lead to lower expenditure, while the shorter duration of entitlement will have a greater impact a little later (when people reach the end of their entitlement earlier).

A number of measures would affect older people: raising the age limits for the "seniors stream" and the "maintenance" scheme, and more favourable conditions for combining benefit and income for one year ("seniors bonus"). While shifting the age limits would result in significant savings, these would be felt more towards the end of the forecast horizon, while the "seniors bonus" would result in slightly higher benefit expenditure from the first year.

Another measure that could have a significant financial impact would be to limit the capital of entitlements that can be mobilised by recipients who are self-employed, in order to limit windfall effects. The text would also introduce an adjustment to the payment of daily allowances, which will now be paid over 30 days ("monthlyisation"). Other provisions, with a lesser financial impact, are also planned, for example on the conditions for payment of the ARCE, the automation of the end-of-right aid and the inclusion of employment in detention.

At this stage, Unédic estimates that the savings generated by all these measures could be between €3.2bn and €4.4bn in 2027. When fully implemented in 4 to 5 years' time, these measures would represent annual savings of between €4.0bn and €5.4bn. However, the draft text still needs to be assessed in order to refine certain figures, particularly for the cruising regime, notably for the measure concerning self-employment during the period of entitlement. All the measures could be the subject of an impact study once the final measures are fully known.

It should be noted that lower expenditure on benefits automatically leads to lower payments by Unédic to supplementary pension funds, increasing the savings for the unemployment insurance scheme by around 6%.

Lastly, the decree is expected to introduce a new countercyclicality regime, leading to a 40% reduction in the duration of entitlement (instead of the current 25%) if the ILO unemployment rate falls below 6.5% for 2 consecutive quarters. However, based on our current forecasts, this rule would not come into force over the forecast horizon.

IN 2024, THE FINANCIAL BALANCE WOULD FALL BUT REMAIN POSITIVE, WITH AN UPWARD TREND FROM 2025.

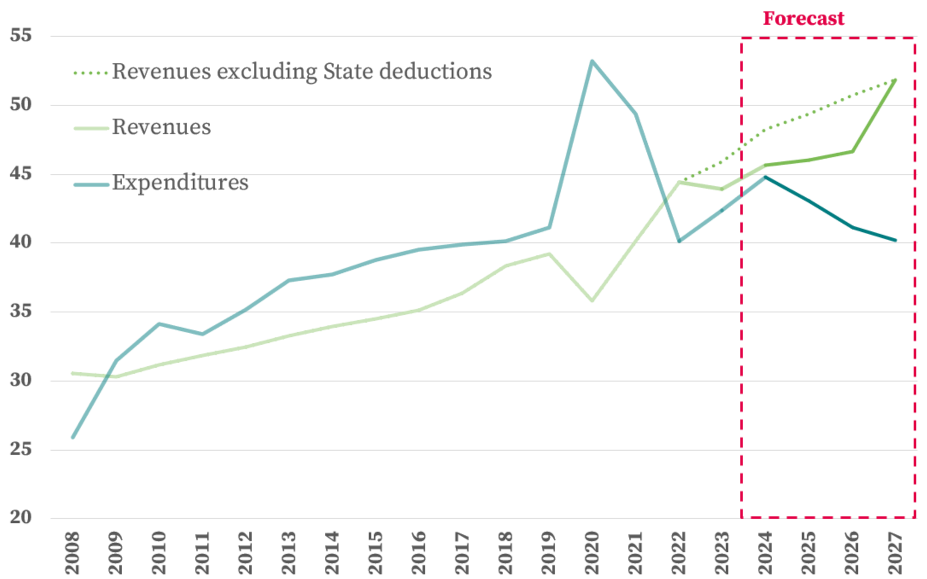
In 2023, the financial balance of the unemployment insurance scheme will be €1.6 billion (after €4.3 billion in 2022) *(Figure 10)*. This reduction in the financial balance of around €2.7 bn is due to a drop in revenue of almost €0.5 bn (linked to government levies) and an increase in expenditure of around €2.2 bn.

In 2024, the scheme's financial balance will fall again to €0.9bn. This reduction in the balance is due to an increase in expenditure of around €2.4bn, while the increase in revenue is lower at €1.7bn.

From 2025 to 2027, the financial balance of the unemployment insurance scheme would return to an upward trajectory, mainly due to the drop in compensation expenditure. The financial balance would reach €3.0 billion in 2025, then €5.5 billion in 2026 and finally €11.7 billion in 2027 *(Chart 11)*.

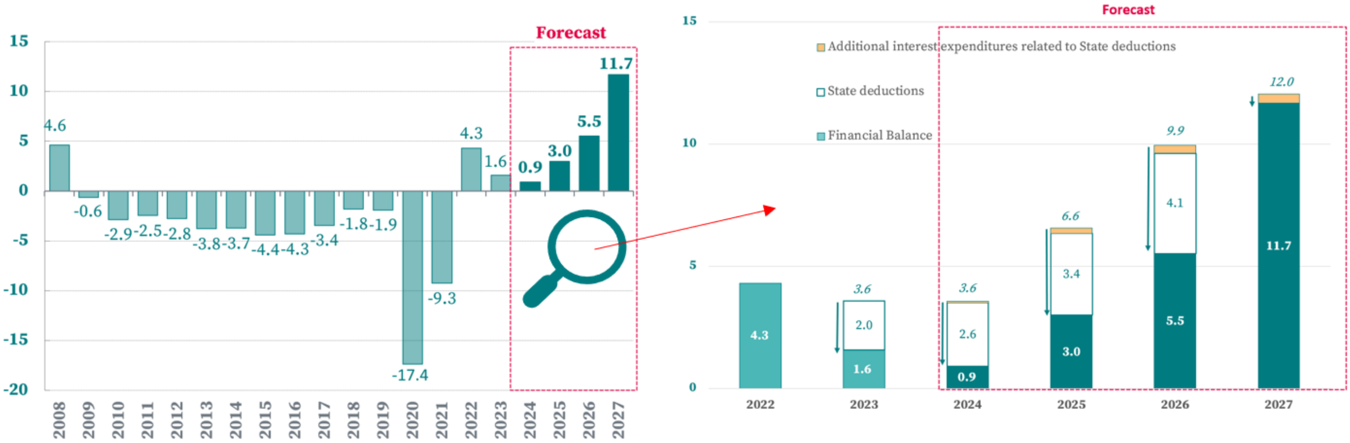
Expressed as a percentage of GDP, Unédic receipts would represent 1.6% of GDP in 2024. Revenues would remain at this level for the rest of the forecast horizon. On the other hand, as a result of economic growth and the unemployment insurance reforms implemented in 2021 and 2023, expenditure is expected to fall to 1.3% of GDP, a ratio not seen since 2008 *(Chart A in the appendix)*.

CHART 10 - UNEMPLOYMENT INSURANCE REVENUE AND EXPENDITURES, IN € BILLIONS



Sources: Unédic, Unédic's June 2024 financial forecasts.

CHART 11 - UNEMPLOYMENT INSURANCE'S FINANCIAL BALANCE, IN € BILLIONS

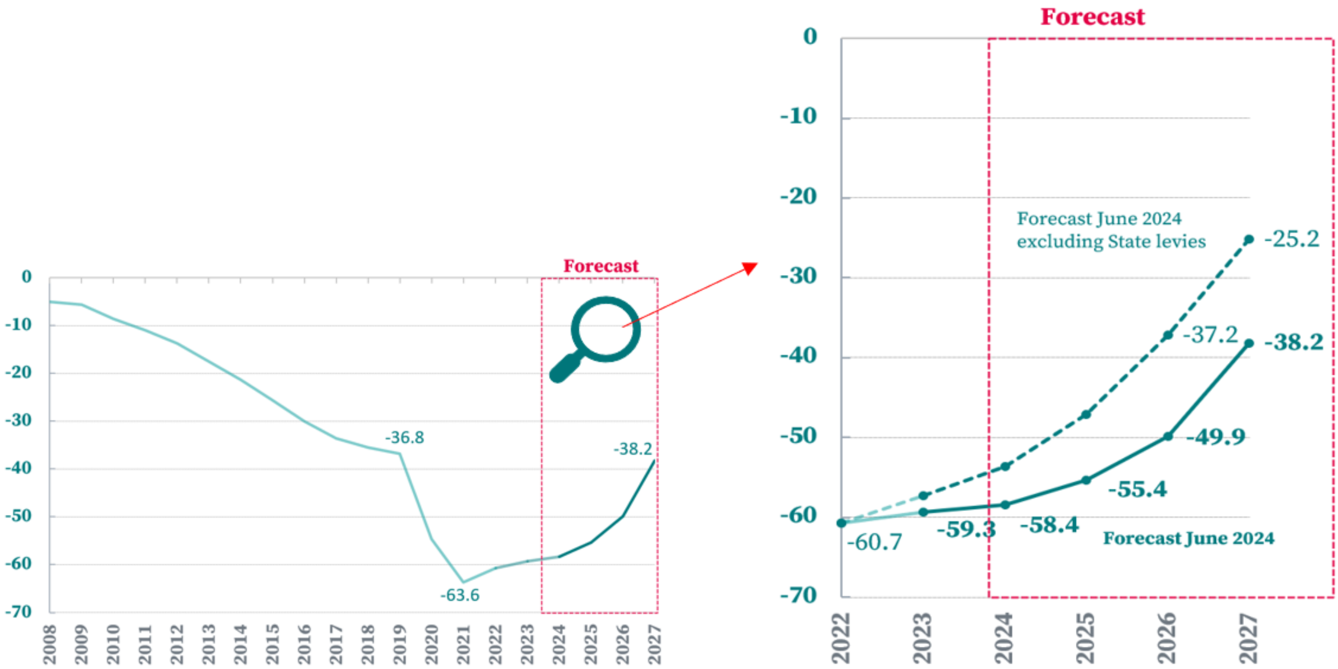


Sources: Unédic, Unédic's June 2024 financial forecasts.

UNEDIC CONTINUES ITS DELEVERAGING

Despite the levies paid by the State, the financial balance of the unemployment insurance scheme will remain positive until 2027. This favourable trajectory for the financial balance would therefore ensure a phase of debt reduction for Unédic *(Chart 12)*. At the end of 2027, debt would reach €38.2 billion, a third less than at the end of 2022. Excluding government levies, debt would be more than halved to €25.2bn by the end of 2027.

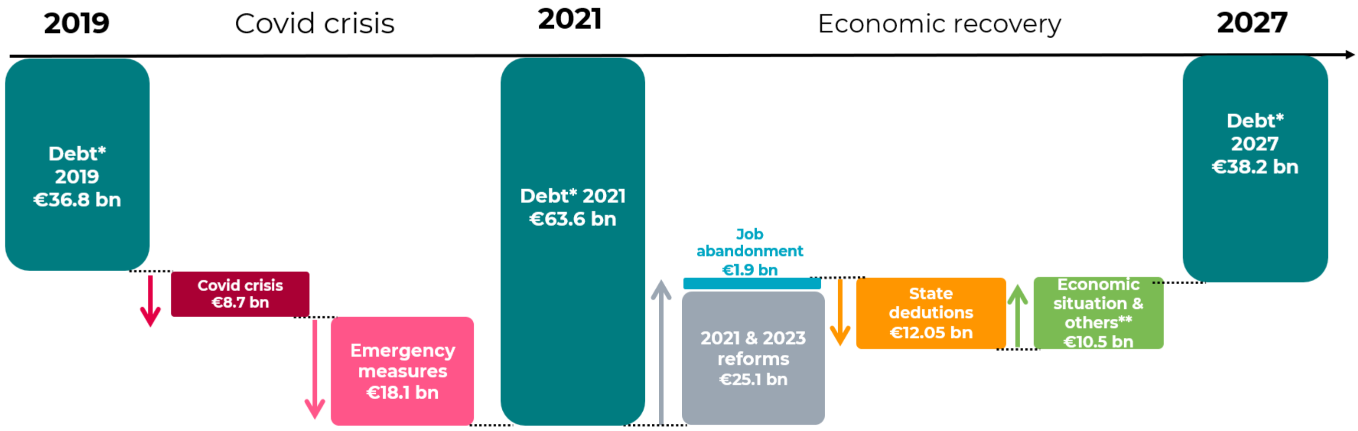
CHART 12 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN € BILLIONS



Sources: Unédic, Unédic's June 2024 financial forecasts.

The planned reduction in debt (including State levies) would be such that the scheme's debt would be close to its 2019 level in 2027, i.e. before the covid crisis *(Diagram 1)*. It had risen from €36.8bn at the end of 2019 to €63.6bn at the end of 2021 due to the covid crisis and emergency measures (partial activity, etc.). Since then, the debt has begun to fall and should continue to do so between now and 2027 under the combined effect of regulatory changes (2021 and 2023 reforms, reform of job abandonment) and the economic situation. State levies to finance France Travail and France Compétences (€12.05bn between 2023 and 2026) will have the opposite effect, increasing Unédic's debt.

DIAGRAM 1 - CONTRIBUTIONS TO THE SCHEME DEBT



** Net financial debt*

*** Changes in the labour market: pension reform, decline in furloughing scheme, increase in interest expenditures, etc.*

Sources: Unédic, Unédic's June 2024 financial forecasts.

TABLE 4 - UNEDIC'S REVENUES AND EXPENDITURES FOR THE YEARS 2022-2027

In billions of euros, at December 31	2022	2023	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Revenues	**44.4**	**43.9**	**45.7**	**46.1**	**46.6**	**51.9**
Unemployment insurance contributions	44.0	43.3	44.9	45.3	45.9	51.2
of which State levies		*-2.0*	*-2.6*	*-3.35*	*-4.1*	
of which main contributions	27.7	26.5	27.3	27.1	27.2	31.9
of which Generalized Social Contribution (GSC)	16.2	16.8	17.7	18.1	18.7	19.3
Other revenues	0.5	0.7	0.8	0.8	0.7	0.7
Expenses	**40.1**	**42.4**	**44.8**	**43.1**	**41.1**	**40.2**
Gross allowances and grants*	33.4	35.0	36.7	34.9	32.9	32.0
Partial activity	0.2	0.1	0.1	0.1	0.1	0.1
Pension funds	2.2	2.3	2.5	2.4	2.3	2.2
Other expenses	4.3	4.9	5.5	5.6	5.8	5.8
of which France Travail** financing	3.9	4.3	4.8	5.0	5.2	5.3
of which net interest expense	0.4	0.5	0.6	0.5	0.5	0.4
Financial balance	**4.3**	**1.6**	**0.9**	**3.0**	**5.5**	**11.7**
Net financial debt***	**-60.7**	**-59.3**	**-58.4**	**-55.4**	**-49.9**	**-38.2**

** In particular: Allowance for the creation or takeover of a business (ARCE); career safeguarding contract extra payment (prime CSP)*

*** On the assumption of the continuation of France Travail's funding to the tune of 11%*

**** Net financial debt excluding France Travail's current account. Note: the net financial debt shown in the table for the years up to 2022 corresponds to that shown in Unédic's financial report.*

Sources: Unédic, Unédic's June 2024 financial forecasts.

INCREASED CAPITAL EXPENDITURE

After two years of heavy calls on the financial markets in response to the needs arising from the Covid-19 crisis in 2020 and 2021, but in a context of low interest rates, Unédic's debt has stabilised. As a result, recourse to new medium- and long-term debt issuance has been limited since 2022, with €1.0 billion of new bond debt in "Social Bond" format each year in 2022, 2023 and 2024. However, while in 2022 the repayment of medium- and long-term borrowings was made possible by the scheme's own resources, this was not the case in 2023 as a result of the State's levy at the end of the year, and is not expected to be the case in 2024 either. In fact, in 2023, the change in cash was positive but less than the amount of bond redemptions for the same year, due in particular to the government levy of €2.0bn at the end of the year, which could not have been anticipated. In 2024, this situation is likely to recur, since €4.1bn of medium- and long-term loans will be repaid, while the financial balance is forecast at €0.9bn due to the lower compensation for tax exemptions decided by the French government, and a single bond issue was made on April 26 this year for €1.0bn.

As a reminder, the management of the scheme is part of a counter-cyclical model that helps to cushion the effects of fluctuations in the growth cycle on the economy by incurring debt during periods of deficit (at the bottom of the cycle) and then reducing debt during periods of surplus (at the top of the cycle). In the current period, it is therefore important to reduce debt in order to ensure the long-term equilibrium of the scheme and thus regenerate the unemployment insurance scheme's capacity to act as an economic and social shock absorber.

The current interest rate environment is also weighing on Unédic's finances as a result of the monetary tightening that began in 2022 in the world's major economic zones with the aim of curbing inflation. In the eurozone, the European Central Bank (ECB) raised its key rates by 450 basis points between July 2022 and September 2023, bringing the deposit rate, the benchmark for financing on the money markets, to 4.00%. The year 2024 marks the start of the cycle of key rate cuts in the eurozone, which are expected to remain restrictive. Unédic's financial management, defined by the social partners, makes it possible to limit exposure to refinancing and interest rate risks, but only debt reduction will make it possible to avoid the impact of high interest rates.

As the State's deductions from the unemployment insurance scheme to finance France Compétences and France Travail are reducing the scheme's capacity to pay down debt, Unédic is turning increasingly to the financial markets, this time against a backdrop of high interest rates, resulting in an increase in net interest expense of almost €1bn over the period 2023-2027.

Unédic's net interest expenses should total €0.6 billion in 2024, €0.5 billion in 2025 and 2026, and €0.4 billion in 2027, representing approximately 1% of Unédic's revenues over the period. The development of the unemployment insurance scheme's financial situation would enable it to continue to reduce its debt, but at a slower rate than initially forecast *(Table 5).*

TABLE 5 - UNÉDIC'S DEBT AMORTISATION PROGRAMME, IN € BILLIONS

	2024	2025	2026	2027
Financial balance	0,9	3,0	5,5	11,7
Change in outstanding medium/long-term debt	-3,1	-2,0	-5,3	-4,3
New medium/long-term debt issues	*1,0*	*1,0*	*1,0*	*1,0*
Medium/long-term debt repayments	*4,1*	*3,0*	*6,3*	*5,3*
Change in outstanding short-term debt	2,2	-1,0	-0,3	-7,5
Change in cash and cash equivalents	0,0	0,0	0,0	0,0
Change in net debt	-0,9	-3,0	-5,5	-11,7
Net debt	*58,4*	*55,4*	*49,9*	*38,2*

Sources: Unédic, Unédic's June 2024 financial forecasts.

APPENDIX 1 - TRANSITION FROM FINANCIAL BALANCE TO CHANGE IN FINANCIAL DEBT IN 2023

At December 31 2023, the scheme's financial balance stood at €1.6bn. The change in net financial debt for 2023 was €1.4bn.

The reconciliation of the financial balance to the change in net financial debt is shown in *Table A* below.

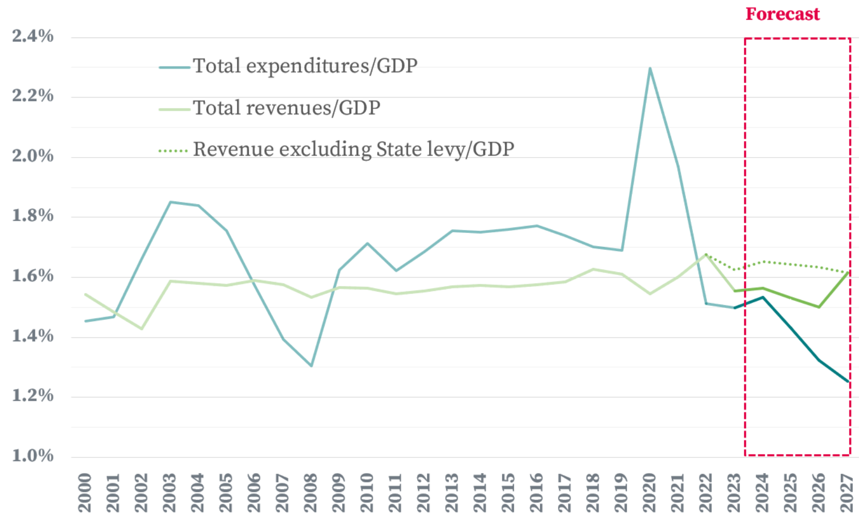
TABLE A - FROM FINANCIAL BALANCE TO CHANGE IN DEBT FOR THE 2023 FINANCIAL YEAR, IN € BILLIONS

Financial balance 2023	**+1.6**
Difference between accounting and cash flow between income and expenses for the period in which they arose	-0.04
Business cycle requirements	-0.2
Transaction with no cash impact (change in technical provisions)	+0.1
Change in net financial debt 2023/2022	+1.4

Source: Unédic

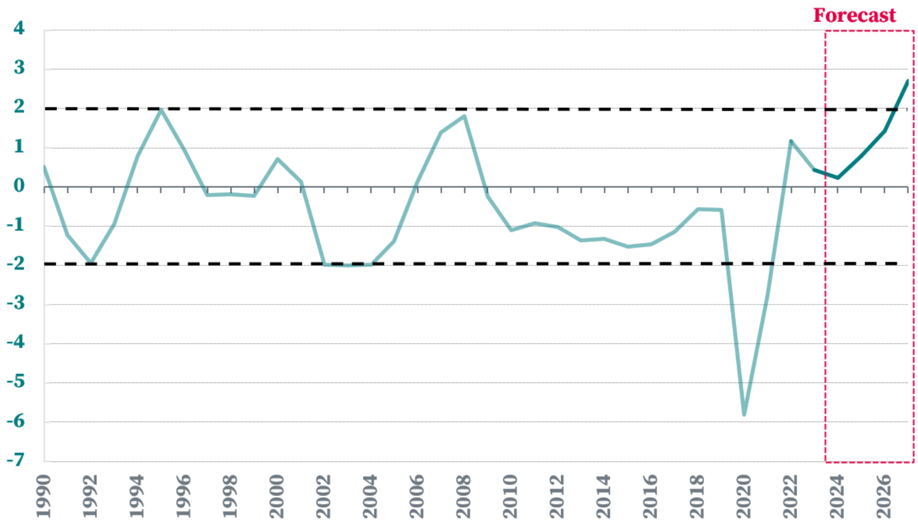
ANNEX 2 - EXPENDITURE, REVENUE AND BALANCE, AS A % OF GDP OR MONTHS OF REVENUE

CHART A - UNEMPLOYMENT INSURANCE EXPENDITURE AND REVENUE, AS % OF GDP



Sources: INSEE, Unédic, Unédic's June 2024 financial forecasts.

CHART B - FINANCIAL BALANCE OF UNEMPLOYMENT INSURANCE, EXPRESSED IN MONTHS OF REVENUE



Sources: Unédic, Unédic's June 2024 financial forecasts.

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE 2024-2027

11 June 2024
Laure Baquero, Boris Koehler,
Gaëtan Stephan, Yann Desplan,
Emilie Daudey, Lara Muller

Unédic
4, rue Traversière 75012 Paris
T. +33 1 44 87 64 00
@unedic unedic unedic.org