

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2024-2027

October 22, 2024

This forecast is based on constant regulations, i.e., without taking into account the negotiations on unemployment and the employment of seniors, which open on October 22, 2024.

The potential effects of the Finance Bill for 2025, announced on October 10 but not yet voted, have not been taken into account.

The financial forecast for 2027 is fraught with considerable uncertainty, insofar as not only is it based on a GDP growth trajectory that extends far into the future, but also assumes no government intervention in 2027.

SYNTHESIS

Against a backdrop of worsening economic conditions, the unemployment insurance scheme will continue to reduce its debt, but on a trajectory that will be strongly affected by the levies decided by the French government.

Clouds are gathering on the macroeconomic horizon. According to the economists' consensus, growth will be limited in the short term, settling at 1.1% in 2024, then 1.0% in 2025. It should pick up again from 2026 (1.3%) and 2027 (1.4%). This growth forecast is subject to a number of uncertainties, notably concerning the effects of the budgetary restraint measures contained in the Finance Bill for 2025 currently under discussion. Inflation, whose high levels have marked previous years, is expected to fall back faster than forecast, slowing wage growth.

Employment is likely to be affected by this economic downturn, with only 38,000 net new jobs created in 2024 and 31,000 in 2025, a significantly slower pace than in 2023 (+107,000). Net job creation would pick up again in 2026 (+131,000) and 2027 (+146,000).

The number of indemnified unemployed would rise to 2.6 million by the end of 2024, after increasing in 2023. It would decline from 2025 onwards, under the effect of unemployment insurance reform in 2023. In 2026 and 2027, the economic situation would also contribute to this decline, bringing the total to 2.4 million by the end of 2027.

Unemployment insurance expenditure is set to rise in 2024 (to €44.9 bn, from €42.4 bn in 2023), driven by a temporary increase in the number of unemployed receiving benefits in mid-year, by new entitlements linked to higher wages, and by benefit increases decided in 2023 and 2024, under an inflationary circumstance. The fall in the number of unemployed receiving benefits would then lead to a reduction in expenditure from 2025 onwards, reaching €41.7 bn in 2027.

Unemployment insurance revenue will continue to grow over the forecast horizon but will be significantly reduced by lower compensation for exemptions decided by the French government. Thus, in 2024, total revenue would amount to €45.3 bn; they would have been €47.9 bn without the €2.6 bn levy by the State. Levies are even higher in 2025 (€3.35 bn) and 2026 (€4.1 bn). No levy has been announced for 2027, resulting in an acceleration of the plan's revenue forecast at the end of the period.

Unédic's debt reduction trajectory is significantly affected by these levies. In 2024, the financial balance would be close to break-even (after a positive balance of €1.5 bn in 2023). Between 2025 and 2027, the scheme's financial balance would improve, mainly due to lower compensation expenditure. Indebtedness would fall, but at a much slower pace than in the absence of levies. In 2027, a debt level of €44.3 billion is expected. Without State intervention, it would have been €31.3 bn, below the debt level before Covid-19 crisis.

Note:

Unédic's growth and inflation assumptions are based on the Economists' Consensus forecasts, an average of the forecasts published each month by around twenty institutes and banks. This forecast is based on the Economists' Consensus published on October 10, 2024.

The potential effects of the Full Employment law, which provides for generalized registration with France Travail in 2025, particularly for RSA beneficiaries, are not included in this forecasting exercise.

1. MACROECONOMIC ENVIRONMENT: A DETERIORATING CONTEXT

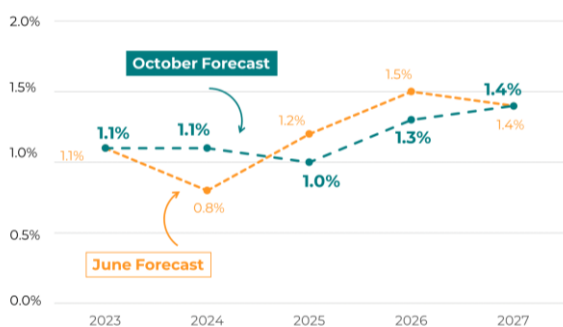
GROWTH WILL BE LIMITED IN THE SHORT TERM, BEFORE ACCELERATING FROM 2026 ONWARDS

In 2024, growth is expected to reach +1.1%, according to Consensus¹ in October. This growth forecast is 0.3 points better than the expectations known at the time of the June forecast. This improvement is mainly due to upward revisions to growth observed in late 2023 and early 2024. At the end of the 2nd quarter of 2024, GDP growth was thus +0.9%, close to the annual growth forecast of the latest economists' Consensus, but also of Insee and the Bank of France (+1.1%, after already +1.1% in 2023). The latter are indeed counting on a slight acceleration in growth in the 3rd quarter due to the Paris Olympic and Paralympic Games, followed by a negative impact in the 4th quarter of 2024.

In 2025, according to the economists' Consensus in October 2024, on which these forecasts are based, the pace of economic activity should remain constant, translating into annual GDP growth of around +1.0% (*Chart 1 and Table 1*). However, this forecast is subject to considerable uncertainty, and could be revised downwards if the forecasters surveyed by Consensus include the effects of the budgetary measures contained in the 2025 Finance Bill (PLF)² (*Box 1*).

Over the remainder of the forecast horizon, growth is expected to be more robust, at +1.3% in 2026 and +1.4% in 2027.

CHART 1 - GDP GROWTH ASSUMPTIONS



Sources: Insee for observation, Economists' Consensus, Unédic financial forecasts for October 2024.

TABLE 1 - COMPARISON OF DIFFERENT GDP FORECAST SOURCES

GDP growth in volume	2023	2024	2025	2026	2027
Unédic (Consensus in Oct. 2024)	1.1%	1.1%	1.0%	1.3%	1.4%
Gouvernement (PLFSS. Oct. 2024)	1.1%	1.1%	1.1%	1.4%	1.5%
OFCE (Oct. 2024)	1.1%	1.1%	0.8%		
Insee (Oct. 2024)	1.1%	1.1%			
Bank of France (Sep. 2024)	1.1%	1.1%	1.2%	1.5%	
Forecast of Unédic in June 2024	1.1%	0.8%	1.2%	1.5%	1.4%

Sources: Economists' Consensus, Social Security Finance Bill 2025, Insee Economic Outlook, Bank of France macroeconomic projections, OFCE, Unédic financial forecasts for October 2024.

INFLATION RECEDES FASTER THAN EXPECTED

Inflation peaked at +6.3% in February 2023 (year-on-year) and has been on a downward trend since then, falling to +1.8% in August 2024, and even to +1.2% in September 2024 (year-on-year). The latter figure came as a surprise and is attributable to the decline in petroleum product prices, according to Insee³. Inflation is thus falling faster than expected. According to the Consensus in October 2024, it should come in at +2.2% in 2024 (after +4.9% in 2023; annual average). For the time being, Consensus forecasts inflation of +1.6% for 2025, +1.8% in 2026, then +1.9% in 2027 (*Chart 2 and Table 2*).

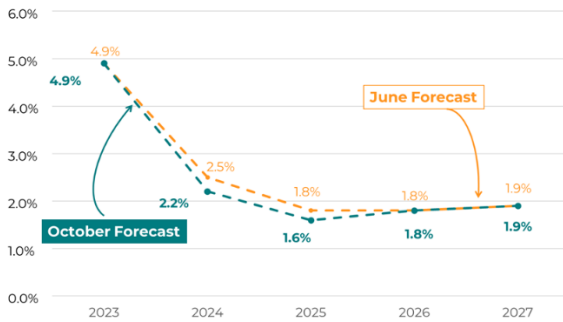
¹ The Economists' Consensus averages the forecasts of some twenty banks and economic institutes.

² The Finance Bill 2025 was unveiled on October 10, 2024, the day of publication of the October Consensus, which is used in this forecasting exercise. It is likely that some of the banks and institutes surveyed by Consensus had not updated their forecasts to take account of the effects of the Finance Bill 2025.

³ <https://www.insee.fr/en/statistiques/8259732>

Under this circumstance, the European Central Bank (ECB) has initiated an easing of its monetary policy, with three key rate cuts of 25 basis points (bp) in June, September, and October 2024, respectively. Key rates in the eurozone remain high, having been raised by 450 bp between mid-2022 and mid-2023. Given the inflation forecasts for the eurozone, further monetary easing is likely to boost economic activity in the medium term.

GRAPH 2 - INFLATION ASSUMPTIONS (CONSUMER PRICE INDEX)



Sources: Insee for the observed, Economists' Consensus, Unédic financial forecasts for October 2024.

TABLE 2 - COMPARISON OF DIFFERENT INFLATION FORECAST SOURCES

Inflation	2023	2024	2025	2026	2027
Unédic (Consensus in Oct. 2024; CPI)	4.9%	2.2%	1.6%	1.8%	1.9%
Gouvernement (PLFSS, Oct. 2024 ; excl. tabac)	4.8%	2,0%	1.8%	1.75%	1.75%
OFCE (Oct. 2024)	4.9%	2.0%	1.5%		
Insee (Oct. 2024; CPI)	4.9%	2.0%			
Bank of France (Sep. 2024; HCPI)	5.7%	2.5%	1.5%	1.7%	
Forecast of Unédic in June 2024 (CPI)	4.9%	2.5%	1.8%	1.8%	1.9%

Sources: Economists' Consensus, SOCIAL SECURITY FINANCE BILL 2025, Insee Economic Outlook, OECD, Bank of France macroeconomic projections, OFCE, Unédic financial forecasts for October 2024.

Note: CPI stands for Consumer Price Index. HCPI is the Harmonized Index of Consumer Prices, designed for international comparisons.

BOX 1 - ANNOUNCED BUDGETARY TIGHTENING A SOURCE OF DOWNSIDE RISK FOR ACTIVITY AND EMPLOYMENT FORECASTS

Some of the measures contained in the Finance Bill 2025 are likely to affect unemployment insurance and the labor market.

With regard to unemployment insurance, we can cite the following examples:

- Confirmation of reduced State compensation for exemptions from employer unemployment insurance contributions, amounting to €3.35 bn in 2025 for general tax cuts.
- Asks social partners to generate additional savings of €400 million by 2025.

On the labor market:

- €4 bn reduction in general tax relief for the health and old-age branches
- €2.1 bn reduction in funding for employment policies (apprenticeships, free jobs, etc.)
- €2.4 bn reduction in aid to businesses (rationalization of schemes, smoothing of commitments)
- Exceptional contribution of €8 bn on the profits of large companies
- Modulation of the allocation to France Competences
- 500 FTE reduction in France Travail's workforce
- 140 FTE staff cuts at Missions Locales

Sources: FINANCE BILL and SOCIAL SECURITY FINANCE BILL 2025

PRIVATE EMPLOYMENT TO LAND IN 2024 AND 2025

Private-sector employment registered +107,000 net job creations over entire 2023, and the number of employees in the private sector stood at 21.1 million at the end of the year.

In the 1st half-year in 2024, net job creation was still positive, reaching +29,000. However, this rebound was not uniform across all sectors: headcount rose in the tertiary sector, while temporary work made a negative contribution to salaried employment, with a net reduction of 20,000 jobs over the half-year.

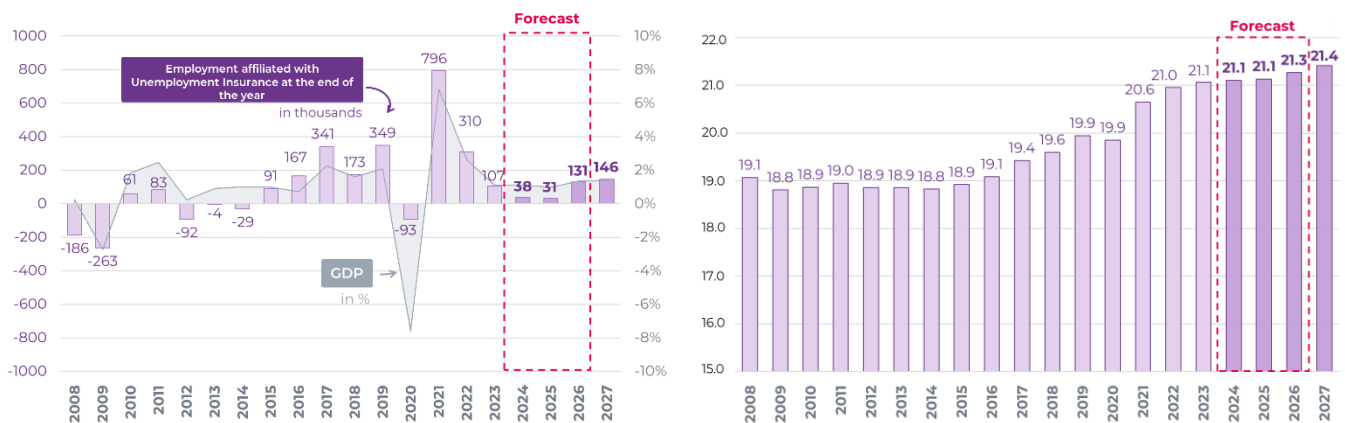
The acceleration in activity following the Olympic Games in France is unlikely to be very buoyant in the private sector. Over **2024, net job creation would be limited (+38,000 net creations)**. In 2025, the trend would be similar, with +31,000 net new jobs (*Chart 3A*).

Thanks to rising GDP growth from 2026 onwards, **private-sector employment would record +131,000 net additional jobs in 2026 and +146,000 in 2027**, reaching a level of 21.4 million jobs by the end of 2027 (*Chart 3B*).

CHART 3A AND 3B - VARIATION AND LEVEL OF EMPLOYMENT AFFILIATED TO UNEMPLOYMENT INSURANCE

A - ANNUAL VARIATION, IN € THOUSANDS

B - YEAR-END LEVEL, IN € MILLIONS



Sources: GDP: Insee, Economists' Consensus, employment affiliated to unemployment insurance: Unédic financial forecasts for October 2024 based on salaried employment data co-produced by Insee, Urssaf Caisse nationale and Dares.

Scope: employment affiliated to the unemployment insurance scheme. France excluding Mayotte. Seasonally adjusted data.

THE UNEMPLOYMENT RATE WILL INCREASE UNTIL THE END OF 2025 IN AN UNFAVORABLE EMPLOYMENT CONTEXT

The reduction in the International Labor Office (ILO) unemployment rate to 7.3% of the working population in the 2nd quarter of 2024 (after 7.5% in the 1st quarter of 2024) would be transitory. **It would recover to 7.5% by the end of 2024, and continue to rise in 2025, ending the year at 7.7%**. This slightly upward path is explained by the change in the working population following the pension reform, and by sluggish net job creation in the short term.

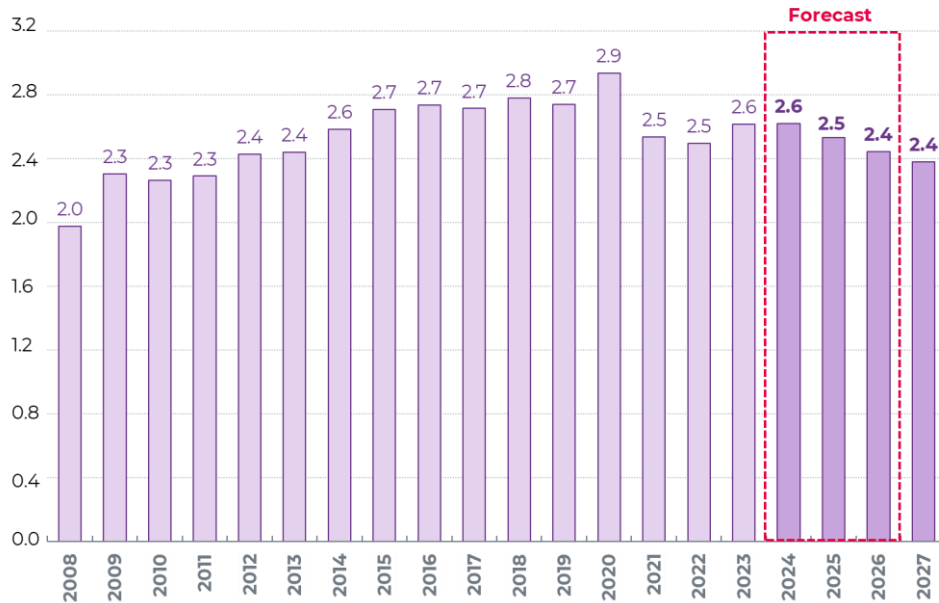
The decline would initially be slow in 2026, as the unemployment rate would stand at 7.6% at the end of the year. It would be more marked in 2027, following the recovery in employment, so that the ILO unemployment rate would fall back to 7.3% by the forecast horizon.

At the end of 2023, the number of people on unemployment benefit stood at 2.6 million. After rising in the first few months of 2024, this figure is set to fall again in the 2nd half-year, leading to apparent stability, if only end-of-year figures are considered. However, on average, a greater number of beneficiaries should receive compensation during 2024, which would boost Unédic's unemployment benefit expenditure in 2024 (*see below*).

The number of indemnified unemployed would begin to fall in 2025, as a result of the 2023 unemployment insurance reform. Improved economic conditions at the end of the forecast horizon would also contribute to a fall in the number of indemnified unemployed, to 2.4 million by the end of 2027 (*Chart 4*).

As a reminder, this forecast does not take into account the potential effects of the reform of France Travail under the Full Employment Act, nor of the generalized registration of RSA claimants with France Travail planned from January 1st, 2025. *A priori*, the registration of RSA claimants with France Travail could have an impact on the ILO unemployment rate measured by Insee, but, at first glance, the effects should be relatively small on the number of unemployed receiving unemployment insurance benefits (*Box 2*).

GRAPH 4 - NUMBER OF UNEMPLOYED RECEIVING UNEMPLOYMENT INSURANCE BENEFITS, YEAR-END LEVEL, IN € MILLIONS



Sources: France Travail, Unédic financial forecasts for October 2024.
 Scope: ARE, AREF, ASP, AREP and ATI unemployment benefits. All of France. Seasonally adjusted data.

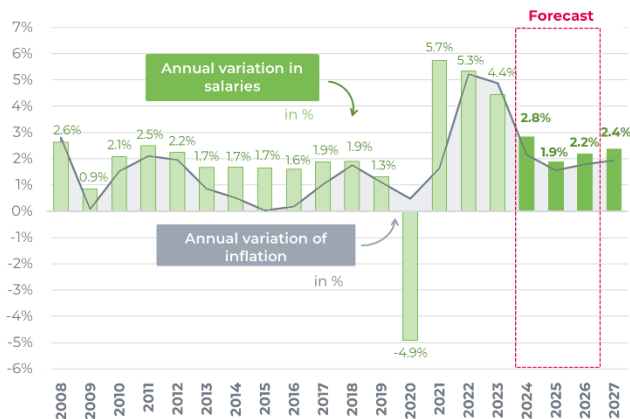
SLOWDOWN IN WAGES IN RELATION TO FALLING INFLATION

The payroll forecast by Unédic in its macroeconomic and financial forecasting exercise corresponds to the payroll subject to social security contributions. The same applies to Unédic's forecast of the average wage per capita (SMPT).

In 2023, this SMPT increased by +4.4%, while inflation measured by the consumer price index rose at a higher rate (+4.9%). From 2024 onwards, wage growth is expected to be moderately higher than inflation, resulting in purchasing power gains for employees. **In 2024, SMPT would rise by +2.8%** (*Charts 5A and 5B*). The decline in inflation in 2025 would have a downward impact on the SMPT forecast, which would rise by just +1.9%. **Over the remainder of the forecast horizon, SMPT would rise by +2.2% in 2026, then +2.4% in 2027.**

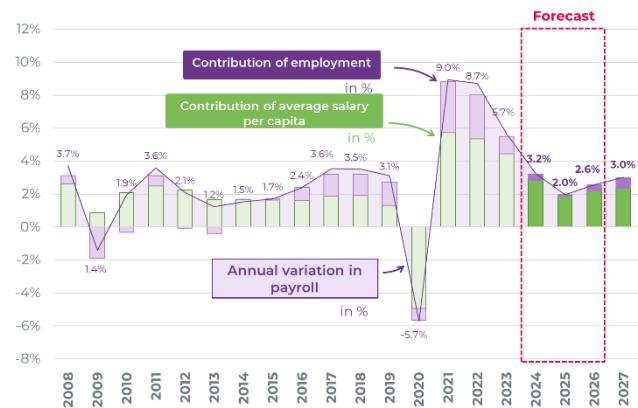
In 2024, total payroll would increase by +3.2%, after +5.7% in 2023. This slowdown in payroll growth is attributable partly to the slowdown in SMPT and partly to the slowdown in job creation. These slowdowns would become more pronounced in 2025, so that payroll would increase by +2.0% compared with 2024. From 2026 onwards, the upturn in job creation and, to a lesser extent, in wages, would give payroll a more favorable trajectory: +2.6% in 2026 and +3.0% in 2027.

GRAPH 5A - CHANGE IN AVERAGE PER CAPITA EARNINGS SUBJECT TO CONTRIBUTIONS (SMPT)



Sources: Urssaf Caisse nationale, Insee, Economists' Consensus, Unédic financial forecasts for October 2024.

GRAPH 5B - PAYROLL SUBJECT TO CONTRIBUTIONS



Sources: UCN for SMPT and payroll, Insee for employment, Unédic financial forecasts for October 2024.

Scope: payroll subject to social security contributions in the competitive sector.

TABLE 3 - SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2020	2021	2022	2023	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Growth, Prices and Salaries								
GDP	-7.6%	+6.8%	+2.6%	+1.1%	+1.1%	+1.0%	+1.3%	+1.4%
Inflation CPI	+0.5%	+1.6%	+5.2%	+4.9%	+2.2%	+1.6%	+1.8%	+1.9%
Average salary per capita (SMPT) in the competitive sector	-4.9%	+5.7%	+5.3%	+4.4%	+2.8%	+1.9%	+2.2%	+2.4%
Employment and payroll								
Employment affiliated with Unemployment Insurance								
average annual percentage change	-0.7%	+3.1%	+2.7%	+1.1%	+0.4%	+0.1%	+0.4%	+0.6%
annual average level	19 651 000	20 262 000	20 805 000	21 024 000	21 102 000	21 117 000	21 195 000	21 332 000
level at the end of the year	19 852 000	20 648 000	20 958 000	21 065 000	21 103 000	21 134 000	21 266 000	21 411 000
year-on-year change at year-end	-93 000	+796 000	+310 000	+107 000	+38 000	+31 000	+131 000	+146 000
Payroll in the competitive sector	-5.7%	+9.0%	+8.7%	+5.7%	+3.2%	+2.0%	+2.6%	+3.0%
Unemployment								
Unemployed persons receiving unemployment benefits (ARE, AREF, ASP, AREP, ATI)								
average annual percentage change	+6.7%	-4.6%	-12.0%	+4.3%	+1.9%	-2.3%	-3.5%	-2.9%
annual average level	2 946 000	2 812 000	2 473 000	2 579 000	2 629 000	2 567 000	2 477 000	2 405 000
level at the end of the year	2 939 000	2 538 000	2 497 000	2 618 000	2 622 000	2 532 000	2 447 000	2 382 000
year-on-year change at year-end	+197 000	-401 000	-41 000	+121 000	+4 000	-90 000	-85 000	-65 000
International Labour Organization unemployment rate (end of year)	8.1%	7.4%	7.1%	7.5%	7.5%	7.7%	7.6%	7.3%

Sources: Economists' Consensus, Insee, Urssaf, France Travail, Unédic financial forecasts for October 2024.

Scope: France excluding Mayotte, seasonally adjusted data for affiliated employment and ILO unemployment; entire France, seasonally adjusted data for compensated unemployment.

Box 2: THE DIFFICULT ASSESSMENT OF THE EFFECTS ON EMPLOYMENT AND UNEMPLOYMENT OF THE RSA MEASURE OF THE FULL EMPLOYMENT LAW

What the December 18, 2023, Full Employment Act says about RSA recipients and applicants

The law of December 18, 2023, Full Employment provides for the automatic registration with France Travail, from January 1st 2025, of all RSA beneficiaries as well as young people (monitored by Missions Locales) and people with disabilities (monitored by Cap Emploi). All those concerned by this date will be registered without having to take any action. The same will apply to anyone applying for the RSA or registering with Missions Locales or Cap Emploi (i.e., the flow of future beneficiaries). France Travail will centralize the administrative management of these people, but their operational follow-up may be shared between France Travail, Missions Locales, Cap Emploi or departmental advisors, depending on their profiles.

Counting RSA beneficiaries in the DEFM figures

A sharp rise in the number of people registered with France Travail is therefore expected as of January 2025. This is likely to disrupt the statistical series of end-of-month jobseekers (DEFM)* collected, processed and published each month by Dares and France Travail; this is why a working group was set up within the framework of the French National Council for Statistical Information (CNIS) to anticipate the consequences of this reform on DEFM statistics. Unédic took part and contributed to the report**.

The working group's report, published at the end of September, estimates that around 1.6 million RSA beneficiaries (current beneficiaries) or people currently being monitored by Missions Locales and Cap Emploi are not already registered with France Travail***. People currently being monitored by Missions Locales and Cap Emploi will remain so. On the other hand, around 1.2 million RSA recipients, who are not currently registered with France Travail and will be automatically from January 1st 2025, will gradually be referred to France Travail or the departmental advisors. Pending their referral to the organization that will sign their contract of employment and initiate their follow-up, new France Travail registrants will be counted in a waiting category: category G. This category should gradually be reduced as the operator's teams and departmental advisors take on the files and direct people to the usual jobseeker categories A to E if they fall into the "pro" or "social pro" pathways.

In the event of significant peripheral barriers to employment, they will be referred to a "social" pathway and registered in a new category (category F).

As a result, the number of people in category G should gradually decline as the number of others increases. The Full Employment Act provides for a 2-year ramp-up. However, this category will continue to be used to accommodate the flow of new jobseekers and/or RSA claimants.

As long as they are registered in the waiting category (category G), new registrants will not be required to update France Travail on a monthly basis and will not be required to exercise the hours of activity stipulated by law for full employment.

Implementing regulations pending

The Full Employment Act 2023 will be accompanied by implementing decrees and orders defining the operational aspects required for its application. Some of these aspects have yet to be formalized by decree or order, so some of the information needed to assess the effects of this law on the active population, employment or the unemployment rate is still awaited.

Potential effects of the reform on the workforce, unemployment, and employment

The unemployment rate is estimated each quarter by Insee, based on the employment survey it produces. It is determined using criteria defined by the International Labor Office (ILO). This notion only partially overlaps with that of France Travail****. Nevertheless, the generalized registration of RSA claimants, aimed at increasing employment, could have an impact on the unemployment rate.

The link between registering with France Travail and moving from non-working to working status, as defined in the Employment Survey, is not automatic. Even less so in the case of RSA beneficiaries registered with France Travail on January 1st, 2025, without having taken any steps to do so. It is estimated that this registration, followed by their registration in category G, should not in itself change their perception of their situation. However, this could change when they are called by France Travail to sign their contract of employment. If they are assigned to a "pro" or "social pro" pathway, and thus to one of categories A to E, they will be required to carry out 15 to 20 hours of activity per week, and to update France Travail every month. This new parameter is likely to lead RSA beneficiaries registered with France Travail to change the way they respond to Insee's employment survey, and thus to be counted by Insee as either employed or unemployed. It is likely that at least some of them will initially join those counted as unemployed, increasing the unemployment rate. This evolution will be gradual, as France Travail teams and departmental advisors process files in the waiting category (category G).

Of the 1.2 million RSA beneficiaries who will be registered with France Travail on January 1st 2025, a fraction will be oriented towards a social pathway (category F) and will probably remain inactive as defined by the Employment Survey, which will have no effect on the measurement of employment and the unemployment rate.

This reform was designed in particular to get RSA recipients back to work. Even if they return to work, their access to employment will depend particularly on the economic climate. What's more, the effect on net employment will also depend on the substitution effect that these new workers may exert on those already in the labor market. As a result, the effect on employment levels is difficult to anticipate.

Potential impact on unemployment benefits

It cannot be ruled out that some RSA beneficiaries newly registered with France Travail as of January 1st 2025 may have unemployment insurance rights of which they were unaware, or which they had not used in the past.

Their registration with France Travail could lead to new claims for benefits, which in turn could increase Unédic's expenditure. In fact, Dares estimates that 10% of RSA recipients not registered with France Travail are employed****. Some of them could claim unemployment benefit in the event of job loss. The corresponding additional expenditure should be relatively modest, however, given the resource conditions associated with the RSA*****.

* End-of-month jobseekers (DEFM) are people registered with France Travail with a job application pending on the last day of the month. At present, these jobseekers are divided into 5 categories: A, B, C, D and E.

** [Consequences of the implementation of the "For Full Employment" law on the statistics of jobseekers](#)

*** The above-mentioned CNIS report estimates that 40% of the 2 million RSA recipients are already registered with France Travail.

**** [Matching between the Labour Force Surveys and the Historical File from Pôle emploi over the period 2012-2017 - Method and first results](#)

***** [RSA beneficiaries and registration with France Travail : one-year course](#)

***** [Do unemployment insurance recipients receive minimum social benefits ? | Unédic.org \(unedic.org\)](#)

2. FINANCIAL SITUATION 2024-2027: DETERIORATING ECONOMIC CONDITIONS WOULD WEIGH ON UNÉDIC'S INDEBTEDNESS

LOWER UNEMPLOYMENT BENEFIT SPENDING FROM 2025 ONWARDS

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

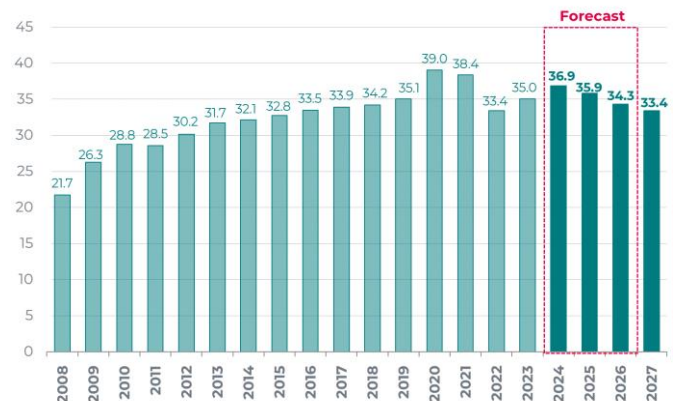
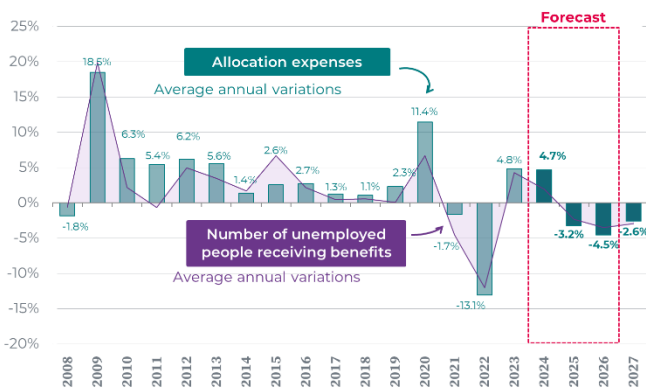
Benefit expenditure is set to continue this trend in 2024, due to the transitory rise in the number of unemployed receiving benefits. In addition, the inflationary context has had a strong upward impact on nominal wages. As a result, we expect to see new entitlements with higher benefit amounts, due to these wage increases. The rise in benefit expenditure also reflects the effects of the two benefit increases decided in 2023 and the one decided in 2024⁴. To sum up, **spending on benefits and assistance is set to rise again in 2024, to €36.9 bn (Charts 6A and 6B).**

From the 2nd half-year of 2024, as the 2023 reform continues to be implemented, the number of unemployed receiving benefits will begin to fall, and this will continue throughout the forecast horizon. This would lead to a fall in expenditure from 2025 onwards, amplified by regulatory changes in 2021 and 2023. Expenditure would thus reach €33.4 bn by the end of 2027.

CHARTS 6A AND 6B - ALLOWANCE CHÔMAGE EXPENSES AND AIDS

A - ANNUAL % CHANGE

B - LEVEL, IN € BILLIONS



Sources: France Travail, Unédic, Unédic financial forecasts for October 2024.

Scope: entire France.

⁴ As a reminder, in 2023 the Unédic Board of Directors voted for two increases in unemployment benefits: an extraordinary increase of +1.9% on April 1st, 2023, and an increase of +1.9% also on July 1st 2023. A 1.2% increase has also been voted and will take effect on July 1st 2024. They are taken into account in this forecast. Our forecasts also include revaluation assumptions for future years, which do not prejudice future decisions by the Unédic Board of Directors. Thus, for the coming years, we have assumed a revaluation of +0.6%, which corresponds to the 5-year average of revaluations prior to 2022.

TOTAL SCHEME EXPENDITURE WOULD FOLLOW THE TRAJECTORY OF BENEFIT EXPENDITURE

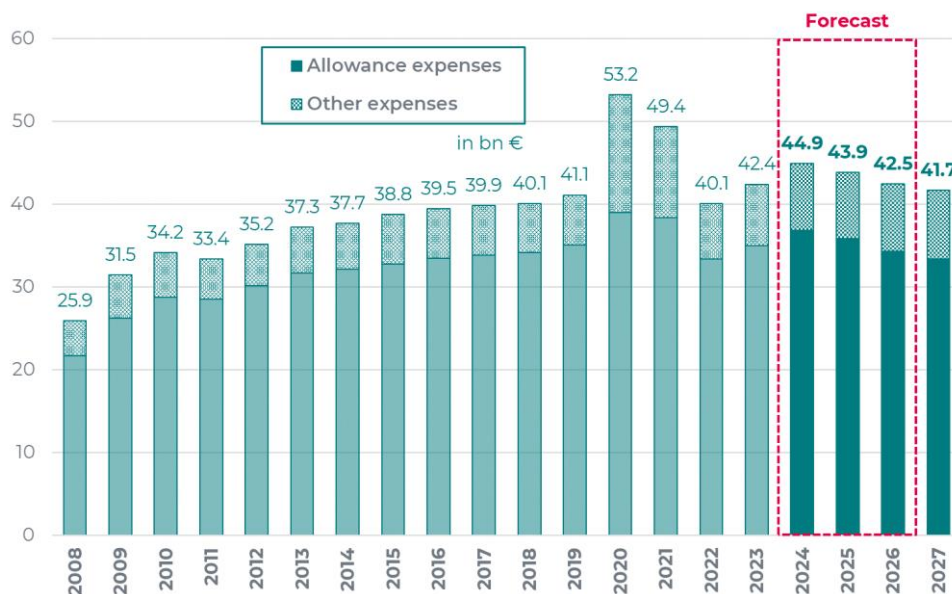
Unédic finances not only compensation for jobseekers, but also a large part of France Travail's operations, supplementary pension points for those receiving compensation, and partial activity (financing one-third of the compensation paid to employers).

Unédic's contribution to the financing of the France Travail operator is 11% of unemployment insurance contributions for the year N-2 and is calculated on revenue before application of lesser compensations for general reductions (or State levies). If we relate the financing of the operator to the contributions actually collected by Unédic, the rate would therefore correspond to 11.5% of revenue in 2025, 11.6% in 2026 and 11.8% in 2027.

In addition to these expense items, we also include interest related to the scheme's financial management, which has risen slightly against a backdrop of rising interest rates and a reduction in the scheme's financing capacity as a result of State levies.

Together, these items make up Unédic's total expenditure, which follows a similar trajectory to compensation expenditure (Chart 7). **After rising to €40.1 bn in 2022, Unédic's total expenditure increases to €42.4 bn in 2023. In 2024, they would continue to rise, reaching €44.9 bn, before starting to fall from 2025, reaching €41.7 bn by the end of 2027 (Table 4).**

CHART 7 - TOTAL EXPENDITURE, INCLUDING EXPENDITURE ON UNEMPLOYMENT ALLOWANCE AND AIDS, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for October 2024.
Scope: entire France.

REVENUE SET TO CONTINUE GROWING DESPITE LOWER COMPENSATION FOR GENERAL TAX CUTS

In application of the Social Security Financing Act for 2024, the Order of December 27, 2023 specifies that **the financing of France Competences and France Travail will result in reduced compensation for exemptions of €12.05 bn in Unemployment Insurance revenue from 2023 to 2026**: €2.0 bn in 2023, €2.6 bn in 2024, €3.35 bn in 2025 and €4.1 bn in 2026. The decree does not mention an amount for 2027. For Unédic, these provisions mean less compensation for general reductions in employer contributions, i.e., a reduction in revenue.

These lower compensations (or State levies) disrupt the interpretation of unemployment insurance scheme revenue, which generally tend to follow payroll trends. In 2023, despite a +5.7% rise in payroll, Unédic's revenue

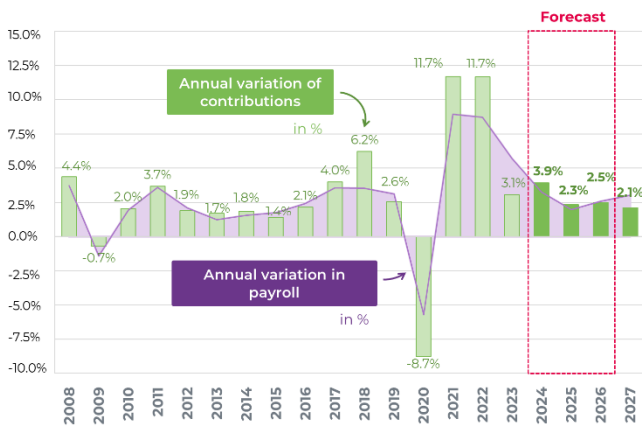
fell by €0.5 bn. This decoupling of payroll and revenue trends is expected to continue in the forecast, given that the lower compensation payments are scheduled to continue until 2026.

In the absence of these lesser compensations, our payroll forecast would result in an upward trajectory for unemployment insurance contributions (Charts 8A and 8B). Taking these lower compensations into account leads to much more modest increases in revenue until 2026, as no levies have been announced thereafter (Chart 9). Nevertheless, unemployment insurance contributions will increase, so that despite these lower compensations, Unédic revenue will remain on a slightly positive trajectory until 2026. After €44.0 bn in 2023, Unédic revenue would thus rise to €45.3 bn in 2024, €45.6 bn in 2025, €46.0 bn in 2026 and €51.1 bn 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 1.47-point contribution from CSG Activity from 2025 onwards.

FIGURES 8A AND 8B - CONTRIBUTIONS TO UNEMPLOYMENT INSURANCE, EXCLUDING GOVERNMENT LEVIES

A - ANNUAL % CHANGE

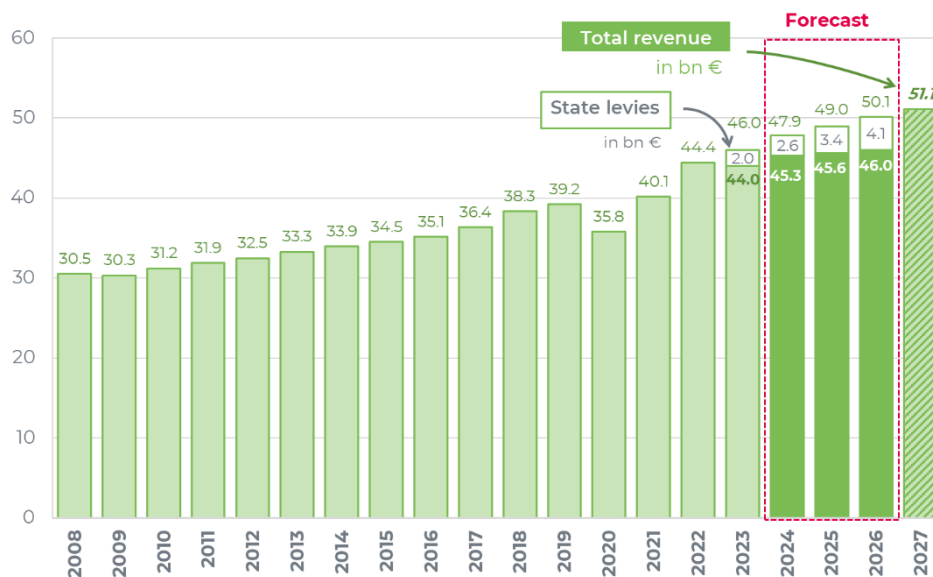


B - LEVEL, IN € BILLIONS



Sources: Urssaf Caisse nationale, Unédic, Unédic financial forecasts for October 2024.
Scope: payroll subject to social security contributions in the competitive sector.

CHART 9 - TOTAL UNEMPLOYMENT INSURANCE REVENUE WITH GOVERNMENT LEVIES, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for October 2024.
Note: revenue for 2027 are estimated on the assumption that no state levies will be paid in that year.

THE FINANCIAL BALANCE WILL BE ALMOST ZERO IN 2024, THEN WILL RESUME AN UPWARD TREND FROM 2025

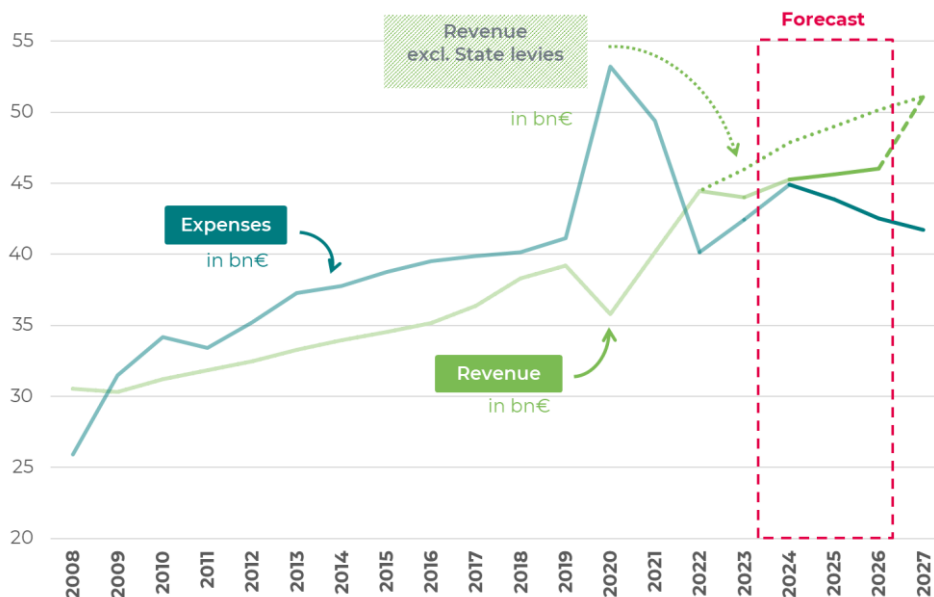
In 2023, the financial balance of the unemployment insurance scheme stands at €1.5 bn (after €4.3 bn in 2022) (*Chart 10*). This reduction in the financial balance can be explained by a drop in revenue of almost €0.5 bn (in relation to State levies) and an increase in expenditure of around €2.3 bn.

In 2024, the scheme’s financial balance will fall again to €0.3 bn. This reduction in the balance is due to a €2.5 bn increase in expenditure, which is more marked than the €1.3 bn rise in revenue, which is reduced by State levies.

From 2025 to 2027, the financial balance of the unemployment insurance scheme would return to an upward trajectory, mainly because of lower compensation expenditure. The financial balance would thus reach €1.8 bn in 2025, then €3.5 bn in 2026. Assuming no State levy in 2027 and GDP growth of +1.4%, the balance would reach €9.4 bn in 2027 (*Chart 11*).

Expressed as a percentage of GDP, Unédic revenue would represent 1.5% of GDP in 2024. They will remain at this level for the rest of the forecast horizon. On the other hand, under the effect of economic growth and the unemployment insurance reforms implemented in 2021 and 2023, expenditure is set to fall to 1.3% of GDP, a ratio not seen since 2008 (*see Appendix A*).

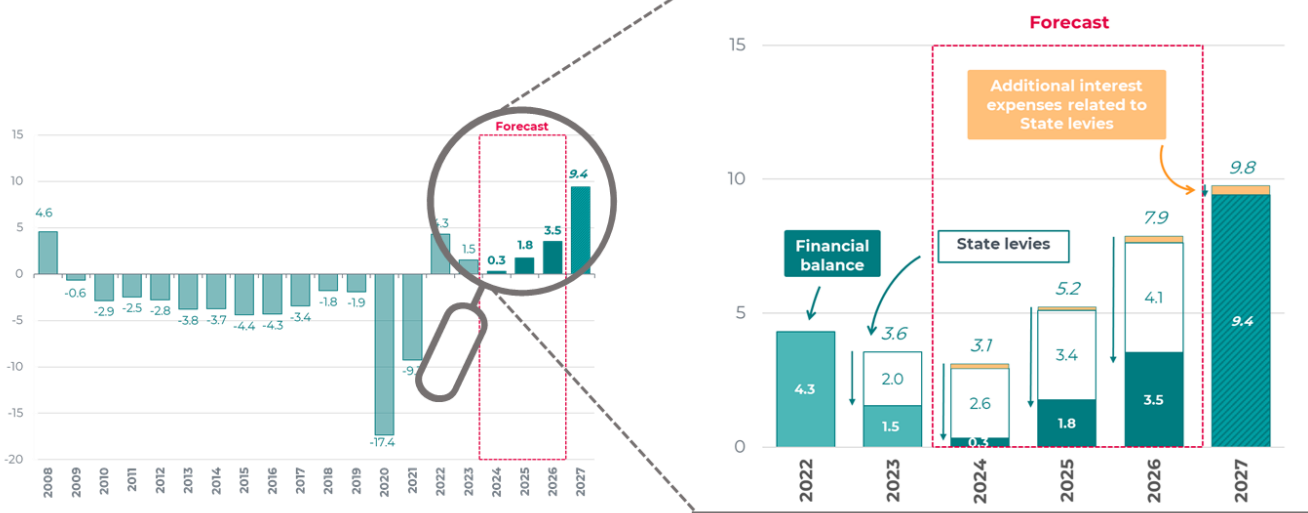
CHART 10 - UNEMPLOYMENT INSURANCE REVENUE AND EXPENDITURE, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for October 2024.

Note: revenue for 2027 is estimated on the assumption that no State levies will be paid in that year.

GRAPH 11 - UNEMPLOYMENT INSURANCE FINANCIAL BALANCE, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for October 2024.

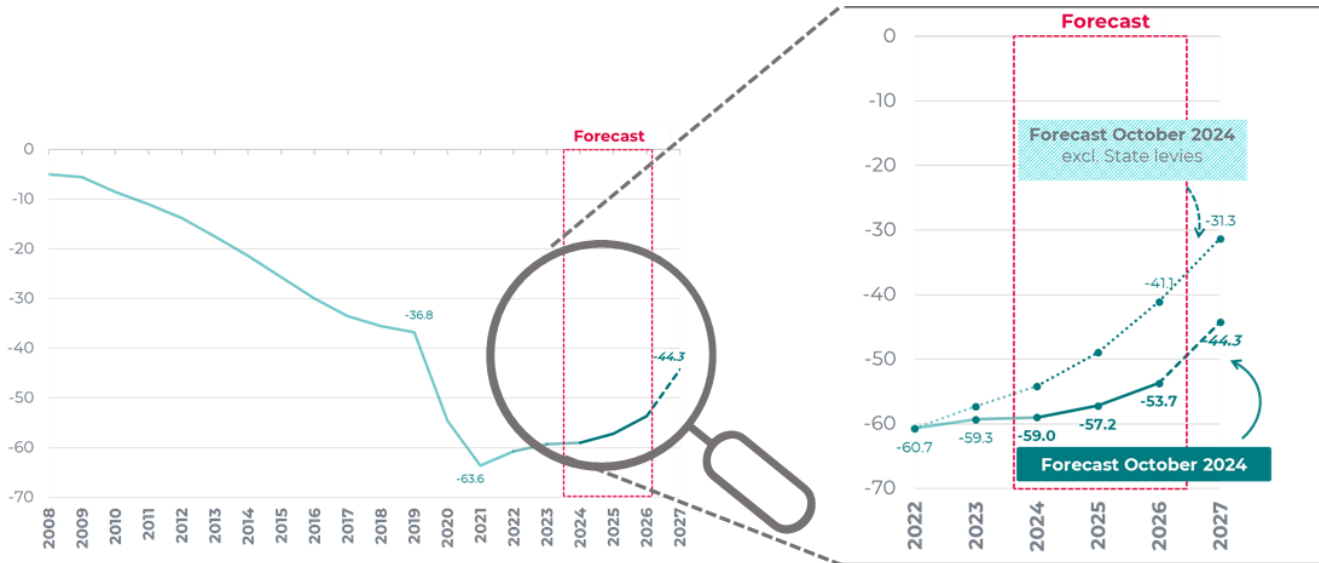
Note: the financial balance for 2027 is estimated on the assumption that no State levies will be paid in that year.

AFTER A PAUSE IN 2024, UNÉDIC WILL CONTINUE TO FALL INTO DEBT

Due to the amount of State levies, the scheme's debt would remain virtually the same in 2024 as in 2023. From 2025 onwards, Unédic's debt reduction phase would resume (*Chart 12*). **Assuming no State levies in 2027 and GDP growth of +1.4%, debt would reach €44.3 bn by the end of 2027**, and be reduced by almost a third compared to the level observed at the end of 2022.

Without State levies over the entire period, debt would have been reduced by almost half to €31.3 bn by the end of 2027, i.e., below the level of pre-Covid-19 debt.

GRAPH 12 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN € BILLIONS

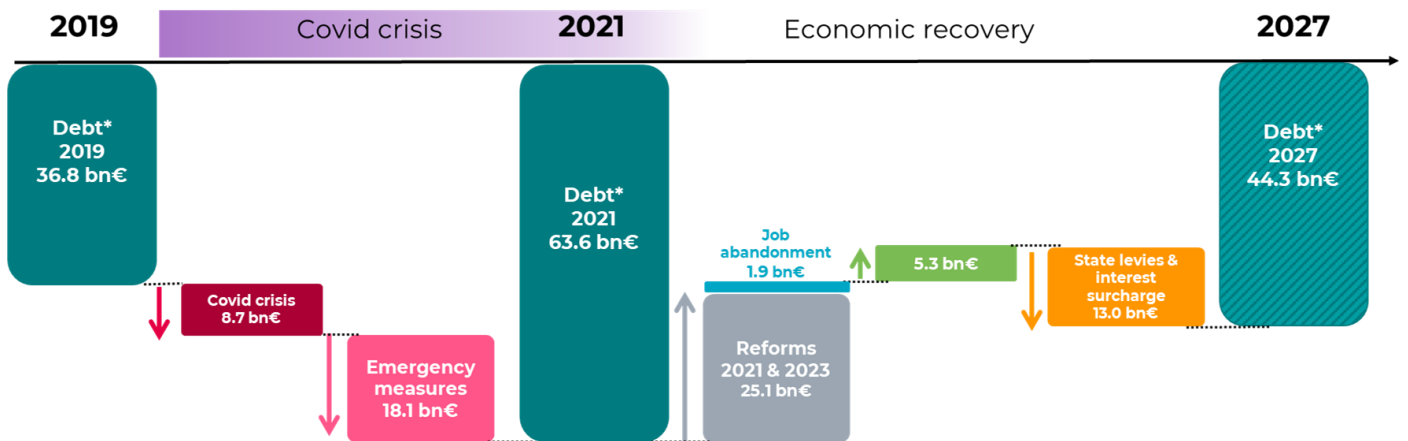


Source: Unédic, Unédic financial forecasts for October 2024.

Note: net financial debt in 2027 is estimated on the assumption that no State levies will be paid in that year.

Indebtedness would therefore fall, but at a much slower pace than in the absence of levies. In fact, the scheme's debt had risen from €36.8 bn at the end of 2019 to €63.6 bn at the end of 2021 due to the Covid crisis and emergency measures (partial activity, etc.) (*Diagram 1*). Since then, debt has begun to decline, and is expected to continue to do so between now and 2027, under the combined effect of regulatory changes (2021 and 2023 reforms, and reform of job abandonment) and the economic situation. State levies to finance France Travail and France Competences (€12.05 bn from 2023 to 2026) and the additional interest expenses linked to these levies (€0.9 bn over the 2023-2027 period, see *below*) would, on the contrary, increase Unédic's debt.

DIAGRAM 1 - CONTRIBUTIONS TO PLAN DEBT



* Net financial debt

** Transformations in the labor market: pension reform, reduction in part-time work, etc.

Source: Unédic, Unédic financial forecasts for October 2024.

Note: net financial debt in 2027 is estimated on the assumption that no State levies will be paid in that year.

TABLE 4 - UNÉDIC REVENUE AND EXPENSES FOR THE YEARS 2021 TO 2027

<i>In billions of euros, as of December 31</i>	2021	2022	2023	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Revenue	40,1	44,4	44,0	45,3	45,6	46,0	51,1
Unemployment Insurance Contributions	39.4	44.0	43.3	44.5	44.8	45.3	50.4
of which main contributions after State deductions	24.7	27.7	26.6	27.2	26.9	26.9	31.5
<i>Main contributions</i>	24.7	27.7	28.6	29.8	30.3	31.0	
<i>State levies</i>			-2.0	-2.6	-3.4	-4.1	
<i>AP Loss of Earnings</i>	-0.8	-0.1					
of which main contributions	24.7	27.7	26.6	27.2	26.9	26.9	31.5
of which Generalized Social Contribution (CSG)	14.7	16.2	16.8	17.3	17.9	18.4	18.9
Other revenue	0.8	0.5	0.7	0.7	0.8	0.7	0.7
Expenses	49.4	40.1	42.4	44.9	43.9	42.5	41.7
Gross allocations and aid*	38.4	33.4	35.0	36.9	35.9	34.3	33.4
Partial activity	3.9	0.2	0.1	0.1	0.1	0.1	0.1
Pension funds	2.6	2.2	2.4	2.4	2.4	2.3	2.3
Autres expenses	4.5	4.3	4.9	5.5	5.6	5.8	6.0
including France Travail funding**	4.3	3.9	4.3	4.8	5.0	5.2	5.3
including net interest expenses	0.2	0.4	0.5	0.6	0.5	0.5	0.5
Financial balance	-9.3	4.3	1.5	0.3	1.8	3.5	9.4
Net financial debt***	-63.6	-60.7	-59.3	-59.0	-57.2	-53.7	-44.3

* *In particular: Arce, CSP bonus*

** *Assuming France Travail continues to be financed at 11% before State levies.*

*** *Net financial debt excluding France Travail's current account. Please note: the net financial debt shown in the table for the years up to 2023 corresponds to that shown in Unédic's financial report.*

Source: Unédic, Unédic financial forecasts for October 2024.

Note: revenue, financial balance, and net financial debt for 2027 are estimated on the assumption that no State levies will be paid in that year.

INCREASED INTEREST EXPENDITURE

After two years of heavy demand on the financial markets in response to the needs arising from the Covid-19 crisis in 2020 and 2021, but against a backdrop of low interest rates, Unédic's debt has stabilized. As a result, recourse to new medium- and long-term debt issuance has since been limited, with €1.0 bn 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 possible thanks to the scheme's own resources, this has no longer been the case since 2023, due to State levies. Consequently, in June 2024, Unédic's Board of Directors decided to increase the bond financing program to €4 billion for 2025.

As a reminder, the management of the scheme is part of a counter-cyclical model, which 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 the scheme's debt in order to ensure its long-term equilibrium, and thus regenerate the unemployment insurance scheme's capacity to act as an economic and social shock absorber.

The interest rate environment also continues to weigh on Unédic's finances, due to the monetary policies implemented since 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 benchmark deposit rate to 4.0%. However, 2024 marks the beginning of the cycle of key rate cuts in the eurozone, with the ECB having already made three cuts of 25 basis points, bringing its main key rate down to 3.25%. Unédic's financial management, defined by the social partners, enables us to limit our exposure to refinancing and interest rate risks, but only debt reduction will enable us to avoid the impact of high interest rates.

With the State levies from unemployment insurance revenue to finance France Competences and France Travail reducing the scheme's ability to pay down debt, **Unédic is resorting more and more to the financial markets, this time in a context of high interest rates, resulting in an increase in additional net interest expenses totaling €0.9 billion over the 2023-2027 period.**

Unédic's net interest expenses should total €0.6 bn in 2024, then €0.5 bn in 2025, 2026 and 2027, representing around 1% of Unédic's revenue over the period (*Table 5*).

TABLE 5 - UNÉDIC DEBT AMORTIZATION PROGRAM, IN €M

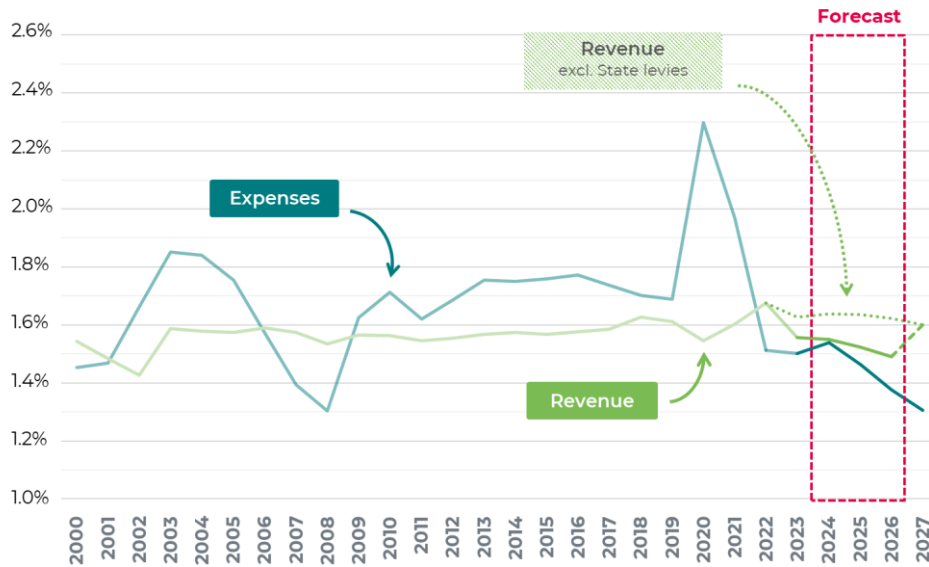
	2024	2025	2026	2027
Financial balance before variation in financing	0.3	1.8	3.5	9.4
Variation in outstanding medium/long-term debt	-3.1	1.0	-3.3	-4.3
<i>New medium/long term debt issues</i>	<i>1.0</i>	<i>4.0</i>	<i>3.0</i>	<i>1.0</i>
<i>Medium/long term debt repayments</i>	<i>4.1</i>	<i>3.0</i>	<i>6.3</i>	<i>5.3</i>
Change in outstanding short-term debt	2.8	-2.8	-0.3	-5.2
Change in outstanding cash	0.0	0.0	0.0	0.0
Change in net debt	-0.3	-1.8	-3.5	-9.4
<i>Net debt</i>	<i>59.0</i>	<i>57.2</i>	<i>53.7</i>	<i>44.3</i>

Source: Unédic, Unédic financial forecasts for October 2024.

Note: revenue, financial balance and net financial debt for 2027 are estimated on the assumption that no State levies will be paid in that year.

APPENDIX - EXPENDITURE AND REVENUE IN % OF GDP AND BALANCE IN MONTHS OF REVENUE

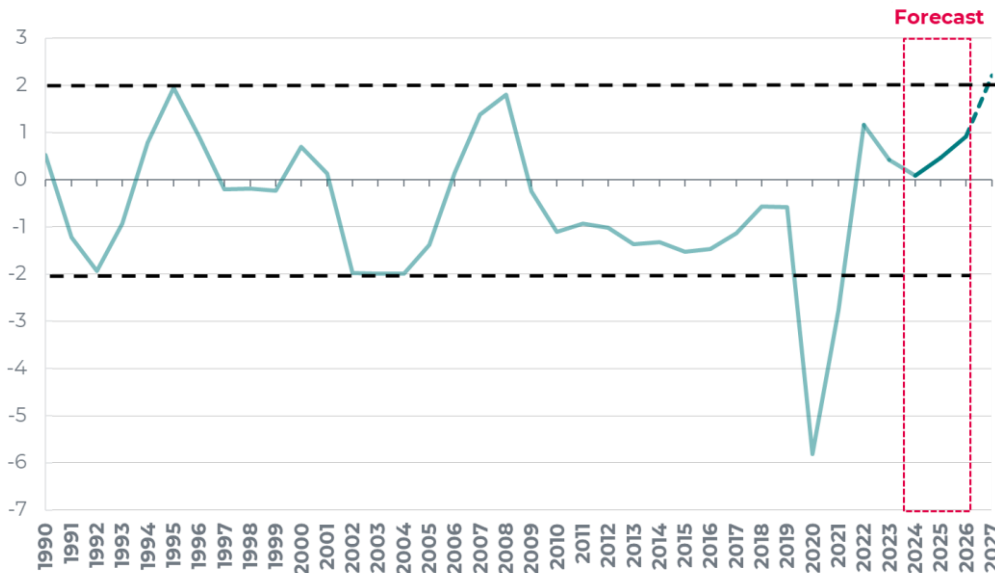
CHART A - UNEMPLOYMENT INSURANCE EXPENDITURE AND REVENUE, AS % OF GDP



Sources: Insee, Unédic, Unédic financial forecasts for October 2024.

Note: revenue for 2027 are estimated on the assumption that no government levies will be paid in that year.

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



Source: Unédic, Unédic financial forecasts for October 2024.

Note: the financial balance for 2027 is estimated on the assumption that no State levies will be paid in that year.



UNEMPLOYMENT INSURANCE FINANCIAL SITUATION 2024-2027

October 22, 2024

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