Financial forecasts

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2025-2027

February 19, 2025

This forecast includes the financial effects of the unemployment insurance agreement of November 15, 2024, approved in December 2024 and gradually coming into force in 2025.

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 that there will be no government intervention in 2027.

SYNTHESIS

Faced with a worsening macroeconomic context and due to exogenous decisions, the financial balance of the unemployment insurance scheme has been greatly revised downwards for the entire forecast horizon. Unédic is still unable to reduce its debt.

Unemployment insurance is about to enter a turbulent period. On the macroeconomic front, the next few years are likely to be more difficult than the previous ones: limited growth in 2025 (+0.7%), moderate recovery in 2026 (+1.0%) before growth of +1.2% in 2027. These expectations from the Economists' Consensus reflect the wait-and-see attitude of economic agents in the face of uncertainties, particularly on the political front, but also the onset of economic difficulties.

In this deteriorated economic context, employment is unlikely to improve in the short term. After -1,000 jobs in 2024, a contraction (-49,000) is expected in 2025, before the net job creation picks up again in 2026 (+78,000) and 2027 (+139,000).

The unfavourable trend in employment should push up the number of people receiving unemployment benefit, but this increase will be mitigated by the implementation of the 2023 reform of the unemployment insurance system, and then to a lesser extent by the implementation of the 2024 agreement. The number of people receiving unemployment benefit would rise to 2.7 million by the end of 2024, then 2.6 million by the end of 2025, 2.5 million by the end of 2026 and 2.5 million by the end of 2027.

Unemployment insurance expenditure rose to €45.2 billion in 2024, then it is expected to rise to €45.3 billion in 2025. It will fall to €44.3 billion in 2026 and €43.5 billion in 2027. It is worth noting that the scheme's total expenditure is rising faster than compensation expenditure alone, due in particular to the increase in the amounts allocated to financing France Travail.

The scheme's revenues should have risen as a result of a positive wage bill, but exogenous decisions will significantly reduce them. The main reasons for this are reduced compensation for exemptions decided by the State at the end of 2023 ("State levies"), totalling €12.05 billion between 2023 and 2026, and changes in the basis of social security contributions and contributions for self-employed workers, which will reduce the portion of CSG ("*Contribution sociale généralisée*" or General social contribution) allocated to the unemployment insurance scheme by €800 million in 2026 (and €400 million per year thereafter). In 2024, revenue should therefore reach €45.2 billion, then €45.1 billion in 2025 and €44.4 billion in 2026. The expected level of revenue in 2027 (€49.8 billion) should be treated with caution, as no State levy has been announced for that year.

The constraints on revenues, combined with the worsening economic situation, would paralyse the debt reduction undertaken by Unédic since the end of the emergency measures against the Covid-19 crisis.

In 2024, 2025 and 2026, the financial balance would be close to break-even. As a result, the level of debt would be stable: €59.3 billion at the end of 2024, €59.5 billion at the end of 2025 and €59.3 billion at the end of 2026. Excluding State levies, debt could have been reduced to €46.7 billion by the end of 2026.

Note:

Unédic's growth and inflation assumptions are based on the Economists' Consensus forecasts, an average of the forecasts of around twenty institutes and banks published each month. This forecast is based on the Economists' Consensus published on February 13, 2025.

The potential effects of the Full Employment Law ("loi pour le plein emploi"), which provides for extended registration with France Travail
in 2025, particularly for RSA ("Revenu de solidarité active" or Active solidarity income) recipients, are not included in this forecasting exercise.

1. MACROECONOMIC ENVIRONMENT: THE DOWNTURN CONTINUES

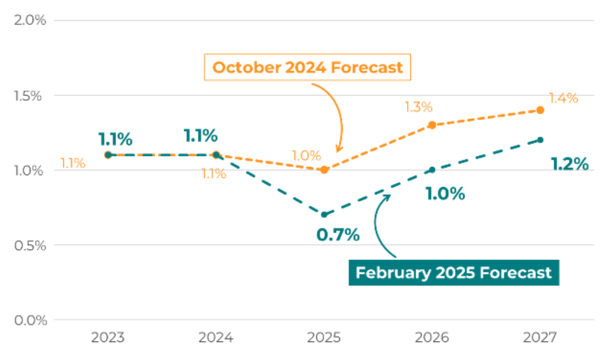
GROWTH WOULD BE LIMITED IN THE SHORT TERM, BEFORE INCREASING MODESTLY FROM 2026 ONWARDS

In 2024, GDP grew by +1.1% according to INSEE's provisional estimate. The good economic activity recorded in the 3rd quarter (+0.4% quarter-on-quarter) due to the Paris Olympic and Paralympic Games was offset by slightly negative growth in the 4th quarter (-0.1% quarter-on-quarter). *Ultimately*, annual growth of +1.1% is in line with expectations, but the negative impact of the 4th quarter gives little impetus to the growth in 2025.

In fact, the February 2025 Economists' Consensus' forecast, on which this financial perspective is based, has revised its GDP growth forecast significantly downwards to +0.7% for 2025, compared with +1.0% forecasted in October 2024 *(Graph 1 and Table 1)*. This revision reflects a climate of great uncertainty, particularly on the political front, which is fuelling a wait-and-see attitude among economic agents. Moreover, fiscal tightening is likely to have a negative impact on growth in 2025, while the effects of the monetary easing undertaken by the European Central Bank (ECB) will only really be felt from 2026 onwards.

The medium-term outlook has also been revised downwards, with Consensus forecasting growth of +1.0% for 2026 and +1.2% for 2027, compared with +1.3% and +1.4%, respectively, forecasted last October.

CHART 1 - GDP GROWTH ASSUMPTIONS



Sources: INSEE for observation, Economists' Consensus, Unédic financial forecasts for February 2025.

TABLE 1 - COMPARISON OF DIFFERENT GDP FORECAST SOURCES

GDP growth in volume	2023	2024	2025	2026	2027
Unédic (Consensus Forecast; Feb. 2025)	**1.1%**	**1.1%**	**0.7%**	**1.0%**	**1.2%**
French Government (PLF 2025; Jan. 2025)	1.1%	1.1%	0.9%		
IMF (Jan. 2025)	1.1%	1.1%	0.8%	1.1%	
Banque de France (Dec. 2024)	1.1%	1.1%	0.9%	1.3%	1.3%
OECD (Dec. 2024)	1.1%	1.1%	0.9%	1.0%	
OFCE (Oct. 2024)	1.1%	1.1%	0.8%		
Unédic previous forecast (Oct. 2024)	*1.1%*	*1.1%*	*1.0%*	*1.3%*	*1.4%*

Sources: Economists' Consensus, PLF 2025, IMF WEO, Banque de France macroeconomic projections, OECD, OFCE, Unédic financial forecasts for February 2025.

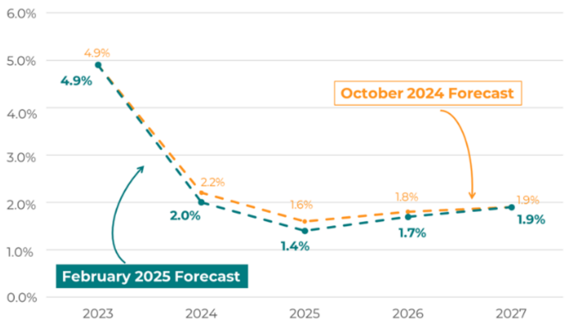
TOWARDS INFLATION BELOW 2% OVER THE ENTIRE FORECAST HORIZON

Inflation has been below 2% since August 2024 and fell to +1.3% in December 2024 (year-on-year). According to the Economists' Consensus, it should continue to fall in the first few months of 2025, mainly because of the fall in electricity prices that has been in effect since February 2025. Inflation should therefore stand at +1.4% in 2025, after +2.0% in 2024 (annual average).

Again, according to the Economists' Consensus**, inflation should then pick up gradually, reaching +1.7% in 2026 and +1.9% in 2027** *(Graph 2 and Table 2)*. However, this forecast is subject to a number of uncertainties, some of which are usual, such as changes in the price of a barrel of oil, while others are more specific, such as the trade protection measures announced by the United States of America and the potential retaliation from its trading partners.

In this context, the ECB has eased its monetary policy with five rate cuts since June 2024, lowering its main key rates by 125 basis points (bp), from 4.00% to 2.75%. For the time being, key rates in the eurozone remain relatively high since the ECB raised them by 450 bp between the summers of 2022 and 2023. However, given the inflation forecasts for the eurozone as a whole, monetary easing should continue in the short term, which should boost economic activity in the medium term.

GRAPH 2 - INFLATION ASSUMPTIONS (CONSUMER PRICE INDEX)



Sources: INSEE for observed data, Economists' Consensus, Unédic financial forecasts for February 2025.

TABLE 2 - COMPARISON OF DIFFERENT SOURCES OF INFLATION FORECASTS

Inflation	2023	2024	2025	2026	2027
Unédic (Consensus Forecast; Feb. 2025; CPI)	**4.9%**	**2.0%**	**1.4%**	**1.7%**	**1.9%**
French Government (PLF 2025; Jan. 2025)	4.9%	2.0%	1.4%		
Banque de France (Dec. 2024; HCPI)	5.7%	2.4%	1.6%	1.7%	1.8%
OFCE (Oct. 2024; CPI)	4.9%	2.0%	1.5%		
Unédic previous forecast (Oct. 2024; CPI)	*4.9%*	*2.2%*	*1.6%*	*1.8%*	*1.9%*

Sources: Economists' Consensus February 2025 (of October 2024 for 2027), PLF 2025, Banque de France macroeconomic projections, OFCE, Unédic financial forecasts for February 2025.*
Note: CPI is the Consumer Price Index. The HCPI is the Harmonised Index of Consumer Prices, designed for international comparisons.

PRIVATE-SECTOR EMPLOYMENT LANDS SHARPLY

After +108,000 net new jobs in 2023, **private employment fell in 2024, with -1,000 net job losses**, due to -50,000 net job losses in the 4th quarter alone, according to INSEE's provisional estimate. It offsets the +49,000 net new jobs created over the previous three quarters. As a result, private employment stood at 21.1 million at the end of 2024.

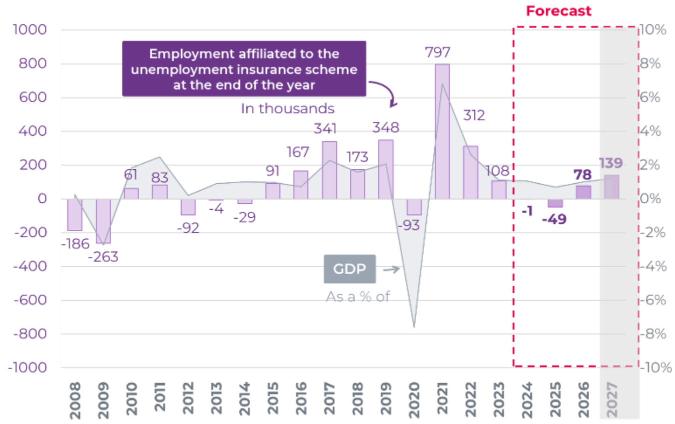
The latest available economic indicators do not suggest any improvement in the short term. The number of temporary workers continues to decline across all sectors of the economy. January's employment climate was below its long-term average for the 8th consecutive month.

In addition, the cost-cutting measures in the Ministry of Labour's budget will result in significant reductions in public support for employment through the tightening of various measures (subsidised contracts, free jobs, etc.). In particular, the bonus for recruiting apprentices has been reduced, so that apprenticeships will no longer be the growth factor for private-sector employment as they have been in recent years.

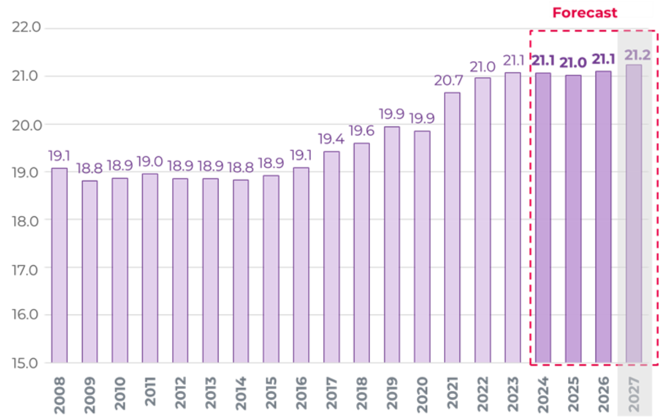
Against this backdrop, and given the macroeconomic outlook, **private employment is expected to contract in 2025, with 49,000 net job losses** compared to the end of 2024 *(Figure 3A)*. It should then gradually pick up, with +78,000 net new jobs in 2026 and +139,000 net new jobs in 2027 (year-on-year). It would then reach 21.2 million people by the end of 2027 *(Chart 3B)*.

CHARTS 3A AND 3B - VARIATION AND LEVELS OF EMPLOYMENT AFFILIATED TO UNEMPLOYMENT INSURANCE

A - ANNUAL CHANGE, IN THOUSANDS



B - YEAR-END LEVEL, IN MILLIONS



Sources: GDP: INSEE, Economists' Consensus; employment affiliated to the unemployment insurance scheme: Unédic financial forecasts for February 2025 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 (CVS).

THE UNEMPLOYMENT RATE IS SET TO RISE IN 2025 AND TO A LESSER EXTENT IN 2026

Having fallen to 7.1% at the end of 2022, the International Labor Office (ILO) unemployment rate has since risen gradually, reaching 7.5% at the end of 2023. In 2024, it fluctuated, finally settling at 7.3% in the 4th quarter, compared with 7.4% in the previous quarter. This slight fall at the end of the year came as a surprise given the downward trend in employment (see *above*) and the number of people registered with France Travail in categories A, B and C, which rose (+99,000 people at the end of December compared with the end of September 2024)[1] . In fact, it is the halo of ILO unemployment that has risen sharply[2] : it significantly increased by 138,000 people in the 4th quarter, more than offsetting the simultaneous reduction of 63,000 ILO unemployed (in quarterly variation).

The ILO unemployment rate is expected to rise in line with the forecast deterioration in employment. It is forecast to rise to 7.6% by the end of 2025. It should continue to rise, reaching 7.7% at the end of 2026, despite the expected improvement in the labour market, due to an increase in the working population as the pension reform of 2023 takes effect. Conversely, the continued improvement in employment forecast for 2027 should offset the increase in the working population, allowing the ILO unemployment rate to fall to 7.5% by the end of 2027.

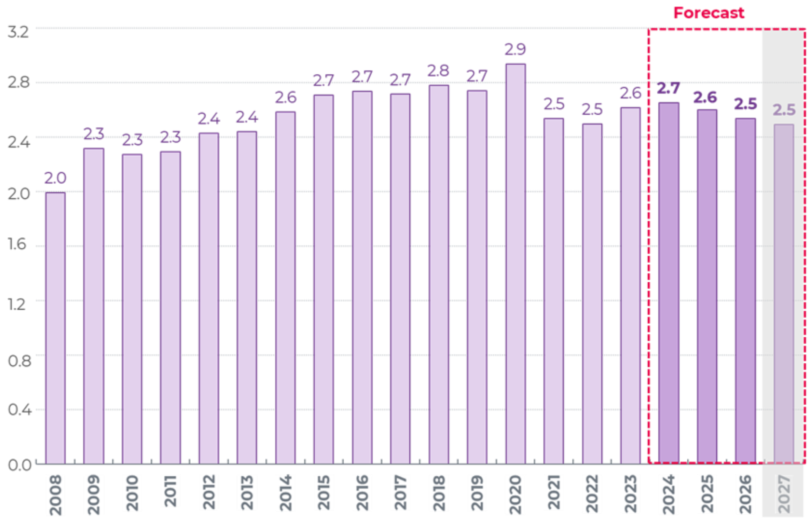
Until it has the first data on the extended registration of RSA applicants and recipients with France Travail, Unédic is not including the potential effects of the Full Employment Law in its financial forecasts. Its effects on changes in the active population, employment and unemployment are currently being analysed[3].

After a downward trend in the spring and summer, the number of people receiving unemployment benefit started to rise again in the autumn, with a cumulative increase of 50,000 in September and October 2024 compared to the level at the end of August. The upward trajectory continued in the final months of the year against a backdrop of deterioration in the labour market, fuelled by part of the increase in the unemployment halo recorded in the 4th quarter of 2024[4]. As a result, there were 2.7 million people on benefit at the end of 2024 *(Chart 4)*.

[1] https://dares.travail-emploi.gouv.fr/publication/les-demandeurs-demploi-inscrits-france-travail-au-4e-trimestre-2024
[2] The halo is made up of people who want to work but are not looking for a job or are not available at the time of the Employment survey, which is used to measure the ILO unemployment rate: https://www.unedic.org/publications/comprendre-le-halo-du-chomage
[3] https://www.unedic.org/publications/previsions-financieres-de-l-unedic-octobre-2024
[4] https://www.unedic.org/publications/comprendre-le-halo-du-chomage

The negative employment trend is expected to keep unemployment benefit claims rising in 2025, though to a lesser extent in 2026. However, this increase will be partly offset by the 2023 unemployment insurance reform (known as "countercyclicality"). The number of people receiving unemployment benefit is projected to reach approximately 2.6 million at the end of 2025. This figure is then expected to decline slightly to 2.5 million in 2026 and 2027, driven by stronger economic growth, as well as the continued ramp-up of the 2023 reform, which would reach its cruising speed, and which would also be relayed by the ramp-up of the 2024 unemployment insurance agreement *(Box 1)*.

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



Sources: France Travail, Unédic financial forecasts for February 2025.
Scope: unemployment receiving ARE, AREF, ASP, and ATI benefits. France as a whole. Seasonally adjusted data (CVS).

SLOWDOWN IN WAGES IN RELATION TO FALLING INFLATION

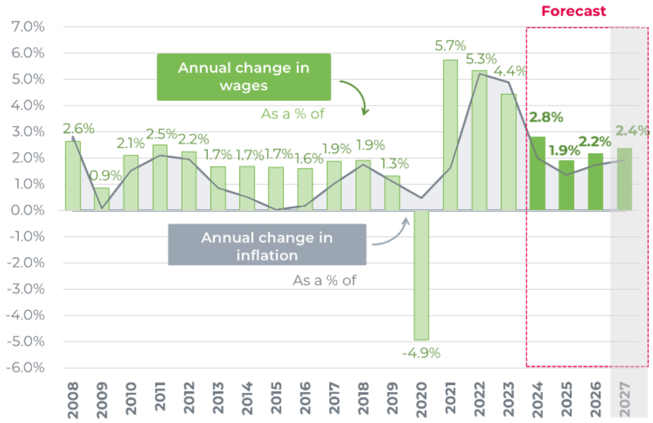
The payroll forecast by Unédic in its macroeconomic and financial forecasting exercise corresponds to the payroll subject to social security contributions. Unédic's forecast of the average wage per capita (AWPC or *"salaire moyen par tête" – SMPT*), therefore, corresponds to an AWPC subject to contributions.

In 2023, the AWPC increased by +4.4%, while inflation measured by the consumer price index rose at a higher rate of +4.9%.

From 2024 onwards, wage growth should be less dynamic, in line with the fall in inflation. However, it should remain slightly higher than price rises, providing purchasing power gains for employees *(Chart 5A)*. It should then slow in 2025 to +1.9%, due to the downturn in the labour market and the marked slowdown in inflation. The AWPC will then regain some of its momentum, rising by +2.2% in 2026 and by +2.4% in 2027.

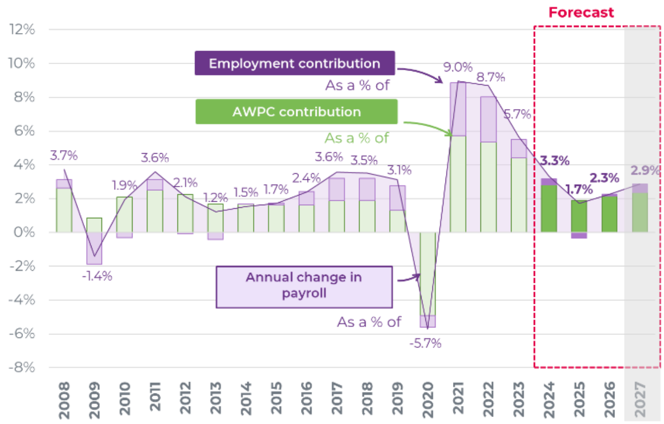
More than in recent years, payroll growth would be driven by wages *(Chart 5B)*. In 2024, the gross payroll would increase by +3.3% after +5.7% in 2023. In 2025, employment's contribution to payroll growth is expected to be slightly negative due to the anticipated net job losses that year. The payroll would then grow by 1.7%. It would then gradually accelerate to reach +2.3% in 2026 and +2.9% in 2027.

GRAPH 5A - CHANGE IN AVERAGE WAGE PER CAPITA SUBJECT TO CONTRIBUTIONS (AWPC)



Sources: Urssaf Caisse nationale, INSEE, Economists' Consensus, Unédic financial forecasts for February 2025.

GRAPH 5B - CHANGE IN PAYROLL SUBJECT TO CONTRIBUTIONS



Sources: Urssaf Caisse nationale for AWPC and payroll, INSEE for employment, Unédic financial forecasts for February 2025.
Scope: payroll subject to social security contributions in the competitive sector.

TABLE 3 - SUMMARY OF ASSUMPTIONS AND FORECASTS

	2022	2023	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Growth, Prices and Wages						
GDP	**+2.6%**	**+1.1%**	**+1.1%**	**+0.7%**	**+1.0%**	**+1.2%**
CPI inflation	+5.2%	+4.9%	+2.0%	+1.4%	+1.7%	+1.9%
Average wage per capita (AWPC) in the competitive sector	+5.3%	+4.4%	+2.8%	+1.9%	+2.2%	+2.4%
Employment and payroll						
Employment covered by unemployment insurance						
Average annual percentage change	**+2.7%**	**+1.1%**	**+0.4%**	**-0.3%**	**+0.1%**	**+0.5%**
Average annual level	20,804,000	21,025,000	21,101,000	21,032,000	21,053,000	21,158,000
Level at the end of the year	20,962,000	21,070,000	21,069,000	21,020,000	21,098,000	21,237,000
Year-on-year at year-end	+312,000	+108,000	-1,000	-49,000	+78,000	+139,000
Payroll in the competitive sector	**+8.7%**	**+5.7%**	**+3.3%**	**+1.7%**	**+2.3%**	**+2.9%**
Unemployment						
Unemployed receiving unemployment benefit (ARE, AREF, ASP, AREP, ATI)						
Average annual percentage change	**-12.0%**	**+4.3%**	**+2.4%**	**-0.8%**	**-2.1%**	**-2.3%**
Average annual level	2,473,000	2,579,000	2,641,000	2,621,000	2,566,000	2,508,000
Level at the end of the year	2,497,000	2,618,000	2,652,000	2,603,000	2,538,000	2,492,000
Year-on-year at year-end	-41,000	+121,000	+34,000	-49,000	-65,000	-46,000
ILO unemployment rate (end of year)	**7.1%**	**7.5%**	**7.3%**	**7.6%**	**7.7%**	**7.5%**

Sources: Economists' Consensus, INSEE, Urssaf Caisse nationale, France Travail, Unédic financial forecasts for February 2025.
Scope: France excluding Mayotte, seasonally adjusted data for affiliated employment and ILO unemployment; France as a whole, seasonally adjusted data (CVS) for unemployment benefit recipients.

2. FINANCIAL SITUATION 2025-2027: A BREAK IN UNÉDIC'S DEBT REDUCTION

THE UNEMPLOYMENT BENEFIT EXPENDITURES WILL REACH A RELATIVELY HIGH LEVEL IN 2024 AND 2025, BEFORE FALLING AGAIN

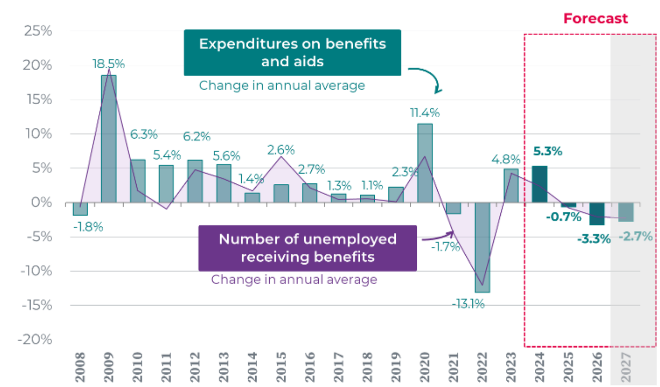
The increase in the number of unemployed receiving benefits, from 2.6 million at the end of 2023 to 2.7 million at the end of 2024, will contributes to the increase in benefit and aid expenditures by €2.1 billion year-on-year, with these expenditures reaching €37.1 billion in 2024. It will also be fuelled by the delayed impact of the inflationary episode via the unemployment benefit increases decided in 2023 and 2024[5], as well as via new entitlement openings made in 2024 based on increased nominal wages *(Charts 6A and 6B).*

Despite the anticipated decrease in the number of unemployed individuals receiving benefits in 2025, expenditures on unemployment benefits and aids will remain stable at €37.1 billion in 2025**.** This is because the increase in expenditures on Career Safeguarding Contract (*"Contrat de sécurisation professionnelle" – CSP*) benefits, driven by the high level of insolvencies observed in the economy, will help to stabilise expenditure of Unédic's benefits and aids expenditures, despite the impact of the 2023 reform and, to a lesser extent, the 2024 agreement. Subsequently, expenditures on benefits and aids will once again be driven by more usual factors, such as the continuing decline in the number of unemployed receiving benefits and the 2023 reform, which will complete its ramp-up. Expenditures on benefits and aids would therefore fall to €35.9 billion in 2026 and €35.0 billion in 2027.

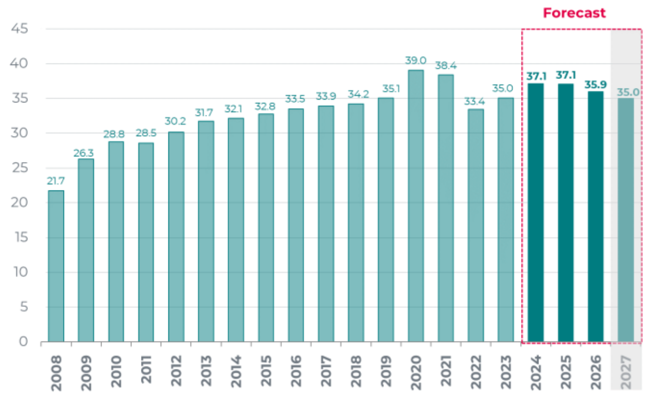
The financial impact of the 2024 unemployment insurance agreement coming into force in the spring of 2025 would still be contained in 2025 and 2026, but would increase in 2027, limiting expenditures each year by the same amount *(Box 1)*.

CHART 6A AND 6B - UNEMPLOYMENT BENEFIT EXPENDITURE AND AIDS

A - ANNUAL % CHANGE



B - LEVEL, IN € BILLIONS



Sources: France Travail, Unédic, Unédic financial forecasts for February 2025.
Scope: France as a whole.

[5] As a reminder, the Unédic Board of Directors voted for two increases in unemployment benefits in 2023: an extraordinary increase of 1.9% on April 1, 2023, and a further increase of 1.9% on July 1, 2023. A +1.2% increase was also voted and took effect on July 1, 2024. They are taken into account in this forecast. Our forecasts also include revaluation assumptions for future years that do not prejudge future decisions by the Unédic Board of Directors. For the next few years, our forecast assumes a revaluation of +0.6%, which corresponds to the 5-year average of revaluations that took place before 2022.

BOX 1 - THE FINANCIAL IMPACT OF THE UNEMPLOYMENT INSURANCE AGREEMENT OF 15 NOVEMBER 2024

In the autumn of 2024, the social partners managing Unédic negotiated a new unemployment insurance agreement. This negotiation was subject to a framework document (*"lettre de cadrage"*) from the government (see also *Box 3*) and a request for additional savings of €400 million per year from 2025 onwards. The agreement was approved by the Prime Minister on December 19, 2024, ending the waiting period regime in effect since July 2019. The social partners have thus regained their authority to prescribe unemployment insurance regulations.

As it has done in the past for changes in unemployment insurance regulations, Unédic has assessed the financial and individual impact of the new measures in the agreement. The present financial forecasts take account of these ex-ante estimates. The agreement of November 15, 2024, comprises a large number of measures, the main ones being as follows:

- a number of measures specifically concern seniors in connection with the pension reform: the age at which the potential benefit duration is extended has been pushed back by two years. The system of allowing benefit retention until the full-rate retirement age now applies from 64 years old. Additionally, the reduction in unemployment benefits no longer applies from age 55 instead of 57;
- measures aimed at facilitating access to unemployment insurance (lowering of the condition of entitlement to 5 months for seasonal workers and first-time entrants to unemployment insurance, introduction of provisions relating to prisoners, automation of the payment of end-of-right aids in particular);
- measures aimed at combating windfall effects (limitation of the cumulative scheme for business creations and takeovers, conditioning of the second payment of the Allowance for creating or taking over a business (or *"Aide à la reprise ou à la création d'entreprise" – ARCE*));
- a simplification and clarification measure involving a change in the payment schedule for entitlements, which will now be paid over 30 days each month (known as "monthly scheduling");
- as well as a 0.05-point reduction in employer contributions from May 1st, 2025 (abolition of the exceptional contribution introduced by the unemployment insurance agreement of 2017).

Unédic anticipates savings of around €2.3 billion over the entire period covered by the new agreement (2025 to 2028). This financial impact includes the mechanical effect of lower payments by Unédic to supplementary pension funds, which will increase the savings for the unemployment insurance scheme by around 6%.

The year-by-year financial impact over the entire period of the agreement is as follows.

Year	2025	2026	2027	2028	2025-2028
Financial impact (In €m)	-275	-215	-760	-1,005	-2,255

For more details, the Unédic impact note of February 2025 (publication forthcoming) describes in detail all the impacts measure by measure.

IN THE SHORT TERM, THE REGIME'S TOTAL EXPENDITURES WILL INCREASE MORE THAN BENEFIT EXPENDITURES AND DECLINES SLOWLY THEREAFTER

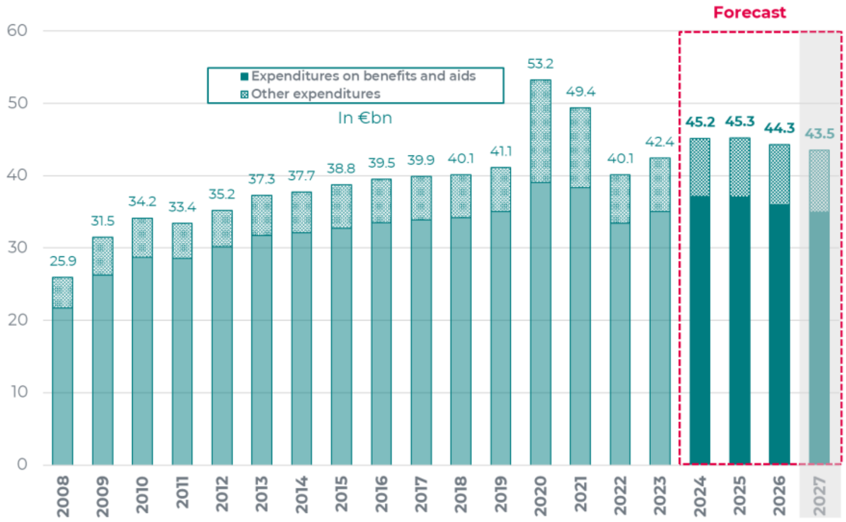
Unédic not only compensates for jobseekers, but also a large part of France Travail's operational costs, as well as supplementary pension points for beneficiaries receiving benefits and one-third of the furlough programme allowance paid to employers under this scheme.

Note: Unédic's contribution to the financing of the operator, France Travail, amounting to 11% of unemployment insurance contributions, still calculated based on revenue from two years prior (N-2), but before applying the lower compensation for general reductions (or State levies). When comparing the operator's funding to the contributions actually collected by Unédic, the rate would instead correspond to 11.5% of revenue in 2025, 11.6% in 2026, and 11.8% in 2027.

In practice, as Unédic's revenues follow an upward trajectory, the same applies to the financing of France Travail by Unédic, which accounts for an increasing share of total expenditures (including when compensation expenditure increases). This is why total expenditures on the unemployment insurance scheme is expected to increase more in the short term than expenditures on benefits and aids alone, reaching €45.2 billion in 2024 (+€2.8 billion compared to 2023, compared to +€2.1 billion for benefit expenditure) *(Table 4)*.

Total scheme expenditures would stabilise at around €45.3 billion in 2025 before declining to €44.3 billion in 2026 and €43.5 billion in 2027. The fall would then be less pronounced than that in compensation expenditure since the financing of France Travail would automatically continue to grow *(Chart 7)*.

CHART 7 - TOTAL EXPENDITURES, OF WHICH EXPENDITURES ON BENEFITS AND AIDS, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for February 2025
Scope: France as a whole.

REVENUES ARE EXPECTED TO FALL AS A RESULT OF GOVERNMENT DECISIONS ON THE FINANCING OF UNEMPLOYMENT INSURANCE

The decree of December 27, 2023, stipulates that **the financing of France Compétences and France Travail will result in lower exemption compensations of €12.05 billion in unemployment insurance revenues from 2023 to 2026**: €2.0 billion in 2023, €2.6 billion in 2024, €3.35 billion in 2025 and €4.1 billion in 2026. No amount is mentioned for 2027[6]. For Unédic, these provisions mean less compensation for general reductions in employers' contributions, and consequently a reduction in received revenue.

These lower levels of compensation (or State levies) disrupt the interpretation of revenues from the unemployment insurance scheme, which theoretically follow changes in the payroll. In 2023, despite a 5.7% increase in the payroll, Unédic's revenues will have fallen by €0.4 billion. This decoupling of payroll growth and revenue growth is expected to continue in the forecast, since the lower compensation payments are expected to continue until 2026.

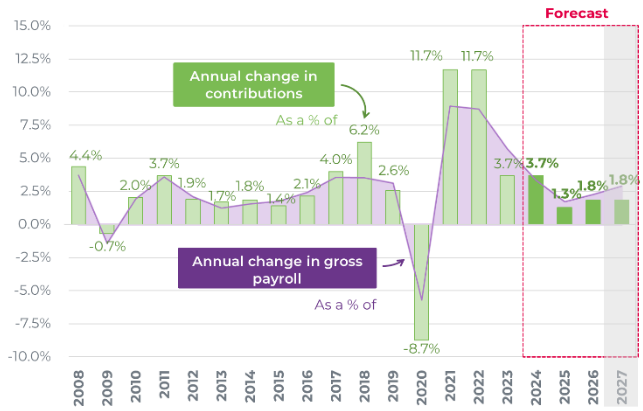
In addition, **a change in the contribution base for social security contributions of self-employed workers,** effective from January 1, 2025 (a measure included in the 2024 Finance Law), **will result in a reduction in the CSG allocated to Unédic of around €800m in 2026, then €400m each year from 2027 onwards**. In addition, the share of 1.47 point of the CSG Activity, which has replaced the employee portion of unemployment insurance contributions since it was abolished in 2019, no longer guarantees perfect compensation, particularly in recent years. This assumption has now been relaxed in the forecast, unlike in previous years (*Box 2)*.

[6] The LFSS 2025 provides for this amount to be set by law, rather than by decree, from 2027.

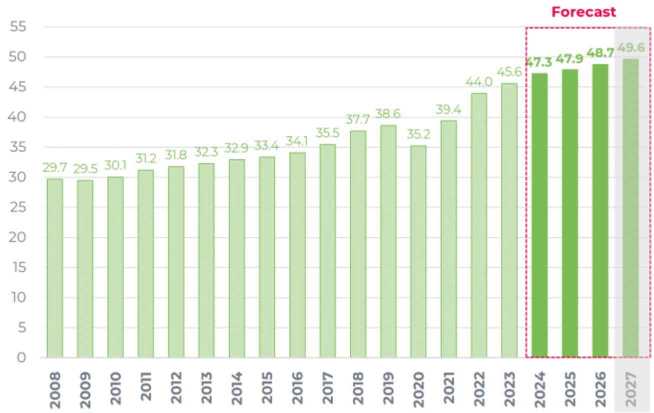
In the absence of these reductions, over which the social partners managing the unemployment insurance scheme had no control, our forecast of the payroll would have resulted in an increase in unemployment insurance contributions *(Charts 8A and 8B)*. Taking this into account leads to a decline in forecast revenues *(Chart 9)*. After €44.0 billion in 2023, Unédic's revenues are expected to rise to €45.2 billion in 2024. They should stabilise around this level in 2025 (at €45.1 billon), considering the reduction in employers' contributions to unemployment insurance, which will take effect in May 2025. They will then fall to €44.4 billion in 2026, mainly due to the loss of CSG revenue on self-employed workers and the increase in the State levies. The 2027 level of €49.8 billion should be treated with caution, given the absence of a known State levies for that year.

CHART 8A AND 8B - ESTIMATED UNEMPLOYMENT INSURANCE CONTRIBUTIONS EXCLUDING STATE LEVIES AND CSG LOSSES

A - ANNUAL % CHANGE

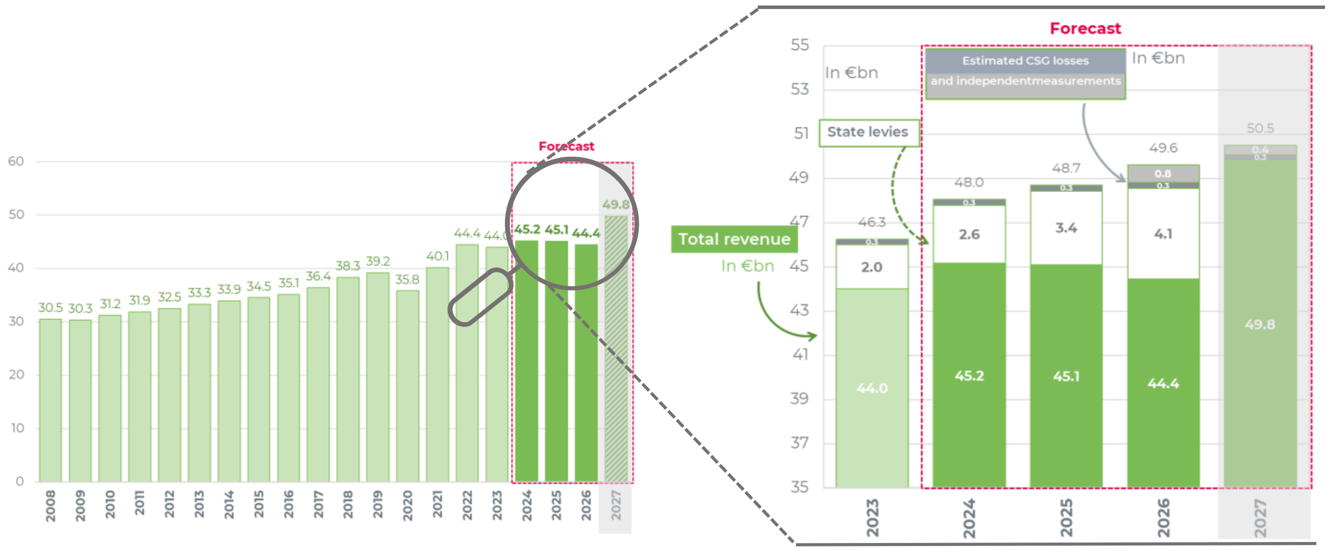


B - LEVEL, IN € BILLIONS



Sources: Urssaf Caisse nationale, Unédic, Unédic financial forecasts for February 2025.
Scope: payroll subject to social security contributions in the competitive sector.

CHART 9 - TOTAL UNEMPLOYMENT INSURANCE REVENUES AFTER STATE LEVIES AND LOSSES OF CSG, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for February 2025.
Note: revenue for 2027 is estimated on the assumption that no State levies will be paid in that year.

BOX 2 - FORECAST OF CSG REVENUES FOR UNÉDIC

Compensation for the employee share of CSG Activity

The employee portion of the unemployment insurance contribution was definitively abolished on January 1, 2019. A fraction of the CSG Activity representing 1.47 points of the CSG Activity* rate is now allocated to Unédic to replace the abolition of this employee share. In practice, this compensation is not always guaranteed because changes in the CSG base may differ from changes in the payroll of employees affiliated to the unemployment insurance scheme. This is because the CSG Activity base is broader and includes wages of public sector employees and self-employed workers. In addition, the CSG calculation base for employees includes remuneration components such as profit-sharing and incentive schemes.

Between 2019 and 2022, the portion of the CSG allocated to Unédic offset the elimination of the employee portion. In 2023, however, the amount of CSG was insufficient to offset the employee share, being €260 million lower. The financial data for 2024 show that the CSG was again insufficient to compensate for the employee share, with a shortfall equivalent to that in 2023.

As a result, Unédic is now making the simple assumption that 1.47 points of the CSG Activity rate will be allocated, although this does not guarantee "proper compensation".

Change in the contribution base for social security contributions of self-employed workers

In 2025, the CSG-CRDS (*“Contribution sociale généralisée”* – CSG; *“Contribution au remboursement de la dette sociale”* – CRDS) base for the self-employed workers will be changed to simplify and unify their social security contributions base. This new calculation of the base is neutral for the self-employed insofar as the reduction in CSG-CRDS payments resulting from the changes to the base is offset by an increase in health insurance and pension contributions.

According to the State's *ex-ante* estimates, this reduction in the tax base should result in a loss of CSG revenue for Unédic of around €400 million per year under steady-state conditions. Because of the way in which the self-employed declare their income, this measure will have no financial effect on revenue in 2025, but the lower CSG payments will have a "double effect" in 2026. Indeed, it is at this time that self-employed workers will report their 2025 income to the authorities, who will then adjust the amounts paid in 2025 and calculate the CSG amounts to be paid in 2026. The revenue shortfall would thus amount to €800 million in 2026, and €400 million in 2027.

To sum up, the relaxation in the assumption of proper compensation and the contribution base measure for self-employed workers leads to an estimated loss of around €2 billion between 2025 and 2027 for Unédic.

* In accordance with Article L. 131-8, 3° d) of the French Social Security Code. The quota was set by Article 26 of the Social Security Financing Law (LFSS) for 2019. It has not since been amended by any subsequent LFSS.

SHARP DOWNWARD REVISION IN THE FINANCIAL BALANCE OVER THE FORECAST HORIZON

In 2023, the financial balance of the unemployment insurance system stood at +€1.5 billion (after €4.3 billion in 2022) *(Figure 10)*. This reduction in the financial balance is explained by a drop in revenue of almost €0.4 billion (linked to State levies) and an increase in expenditure of around €2.3 billion.

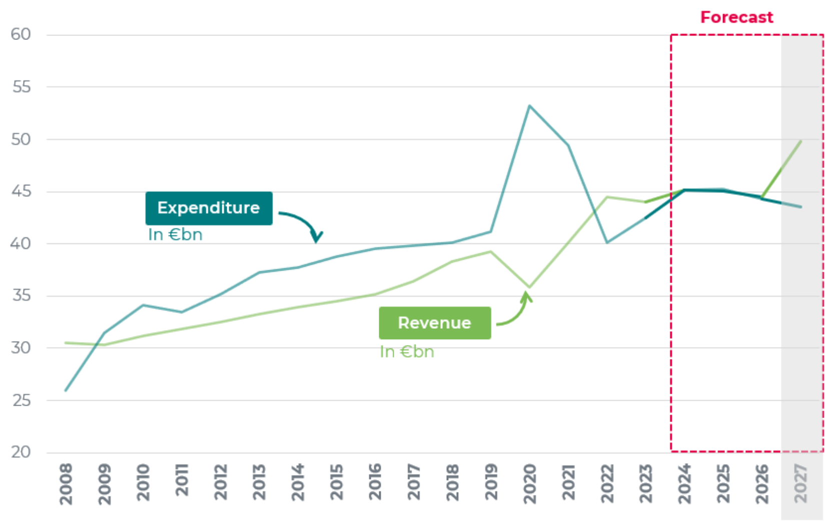
In 2024, the scheme's financial balance would fall again, reaching equilibrium. This reduction in the balance is due to an increase in expenditure of around €2.8 billion, which is greater than the rise in revenue (€1.2 billion), which is still reduced by State levies.

The financial balance would then remain close to balance at - €0.2 billion in 2025 and + €0.2 billion in 2026 as a result of a reduction in revenue, while expenditure would remain high. The forecast financial balance of €6.3 billion in 2027 assumes that there will be no State levy *(Chart 11)*.

Expressed as a percentage of GDP, Unédic's revenue would represent 1.6% of GDP in 2024, which corresponds to their long-term average level over the past. They would then decline to 1.5% of GDP in 2025 and 2026 in an environment marked by the slowdown in the payroll, but above all by State levies, the reduction in employer contributions and the changes affecting revenue from the CSG.
Expenditures will continue to hover around 1.5% of GDP in 2024 and 2025, before falling to 1.4% over the rest of the forecast horizon.

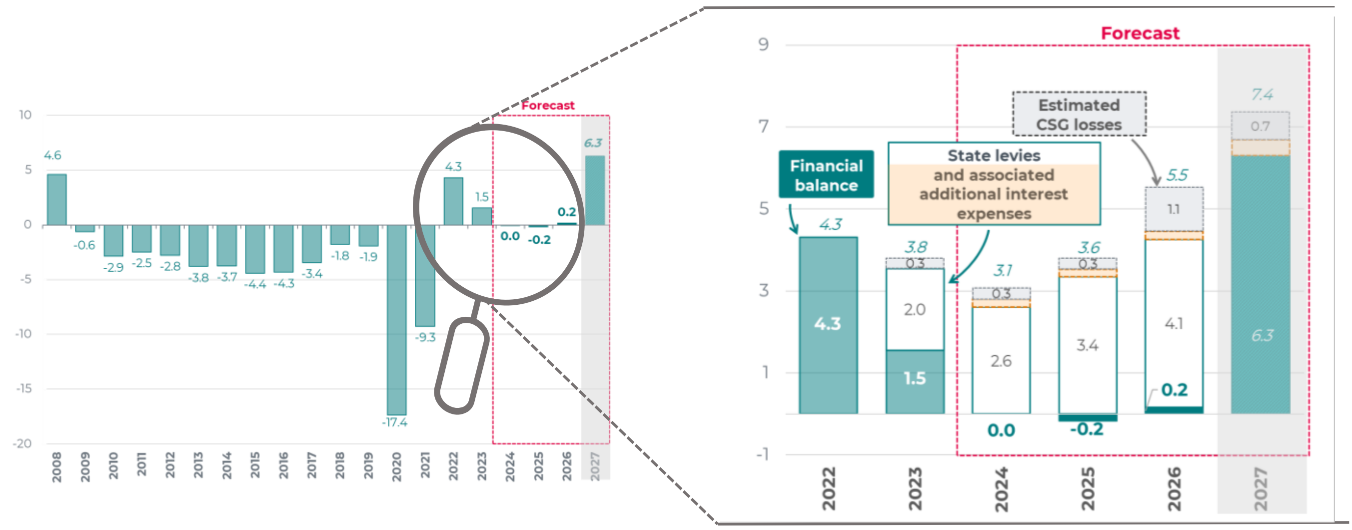
The weight of unemployment insurance in the economy would therefore decrease by the end of the forecast horizon *(Graph A in the appendix)*.

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



Source: Unédic, Unédic financial forecasts for February 2025.
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 February 2025.
Note: the financial balance for 2027 is estimated on the assumption that no State levies will be paid in that year.

BOX 3 - REMINDER ON THE FRAMEWORK DOCUMENT OF AUGUST 2023

A more unfavourable macroeconomic environment

The framework document sent to the social partners in August 2023 was based on particularly ambitious macroeconomic assumptions: "*According to the 2023-2027 stability program assumptions, economic growth would be 1.6% in 2024 and 1.7% in both 2025 and 2026.*" These were optimistic growth projections, paired with an employment trajectory leading to full employment by 2027. In September 2023, Unédic published a trajectory note based on more realistic assumptions*.

Since the publication of this document, GDP growth in 2024 has been estimated at +1.1% by INSEE in its provisional estimate for the 4th quarter of 2024. As for the growth forecast for 2025, the Government is now assuming a growth rate of +0.9% in its macroeconomic forecasts underlying the PLF and PLFSS 2025. The *Haut Conseil des Finances Publiques* (HCFP) judged this 2025 growth forecast to be achievable, but a little high in its latest opinion**. This growth trajectory in 2024 and 2025 is therefore much lower than the trajectory presented in the framework document. Lastly, the Economists' Consensus growth forecast of +1.0% for 2026 is also a long way from the assumption of +1.7% envisaged in the document.

The framework document envisaged halving Unédic's level of debt by the end of 2026.

The document also anticipated that *"the surplus situation of the unemployment insurance scheme in 2023 and subsequent years, depending on the macroeconomic assumptions used by the Government, will allow part of the current Unédic revenue to be reallocated to the policy to promote skills development and access to employment*".

Again, according to the framework document, the assumptions retained for 2024 to 2026 allowed for the allocation of Unédic's surpluses, **with a minority share directed toward funding employment policy and a majority share** dedicated to reducing the system's debt. The document concluded that the scheme could significantly reduce its debt and almost halve its level of indebtedness at the end of 2026 compared with the end of 2022.

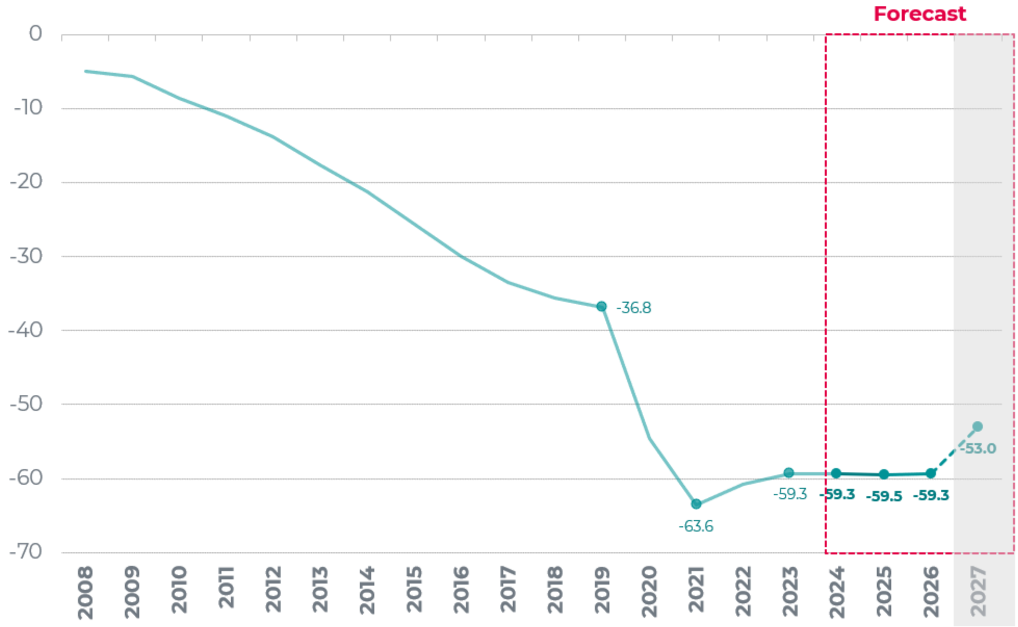
* Unemployment insurance financial trajectory for 2023-2026 | Unédic.org
** https://www.hcfp.fr/liste-avis/avis-ndeg2025-1-amendement-aux-lois-de-finances-2025

UNÉDIC'S DEBT REDUCTION HALTED

After two years of debt reduction in 2022 and 2023, Unédic's debt stood at €59.3 billion at the end of 2023. **It is expected to remain close to this level in 2024, 2025 and 2026 due to the deterioration in the macroeconomic environment, as well as State levies** *(Chart 12)*. This debt trajectory diverges from that presented in the framework document sent to the social partners in August 2023, which envisaged a reduction of Unédic's debt by half compared with its level in 2022 *(Box 3)*. In 2027, assuming no State levies in 2027, debt would reach €53.0 billion at the end of the year.

Without State levies over the entire period, debt would reach €40.0 billion by the end of 2027, approaching its pre-crisis Covid-19 level.

GRAPH 12 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN € BILLIONS



Source: Unédic, Unédic financial forecasts for February 2025.
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 EXPENDITURE FOR THE YEARS 2021 TO 2027

In €bn, at December 31	2021	2022	2023	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Revenue	**40.1**	**44.4**	**44.0**	**45.2**	**45.1**	**44.4**	***49.8***
Unemployment insurance contributions	39.4	44.0	43.3	44.4	44.3	43.6	*49.0*
of which Main contribution after State levies	24.7	27.7	26.6	27.2	26.7	26.4	*30.9*
Main contributions	*24.7*	*27.7*	*28.6*	*29.8*	*30.0*	*30.5*	*30.9*
State levies			*-2.0*	*-2.6*	*-3.4*	*-4.1*	
of which General social contribution (CSG)	14.7	16.2	16.8	17.2	17.6	17.2	*18.1*
Other income	0.8	0.5	0.7	0.8	0.8	0.9	*0.8*
Expenditure	**49.4**	**40.1**	**42.4**	**45.2**	**45.3**	**44.3**	***43.5***
Gross unemployment benefits and aids*	38.4	33.4	35.0	37.1	37.1	35.9	*35.0*
Furlough programme	3.9	0.2	0.1	0.1	0.1	0.1	*0.1*
Pension funds	2.6	2.2	2.4	2.4	2.5	2.4	*2.4*
Other expenses	4.5	4.3	4.9	5.5	5.6	5.9	*6.1*
of which France Travail** funding	4.3	3.9	4.3	4.8	5.0	5.2	*5.2*
of which net interest expense	0.2	0.4	0.5	0.6	0.5	0.6	*0.8*
Financial balance	**-9.3**	**4.3**	**1.5**	**0.0**	**-0.2**	**0.2**	***6.3***
Net financial debt* **	**-63.6**	**-60.7**	**-59.3**	**-59.3**	**-59.5**	**-59.3**	***-53.0***

** Including: ARCE, CSP bonus*
*** Assuming that France Travail continues to be financed at 11% of N-2 revenues 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 February 2025.
Note: revenues, the 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 EXPENSES

The management of the unemployment insurance scheme is based on a counter-cyclical model that helps to cushion the effects of fluctuations in the growth cycle on the economy by issuing 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 its capacity to act as an economic and social buffer.

Following the return to break-even of the unemployment insurance accounts in 2022, funding plans were limited to €1 billion per year. **In 2023 and 2024, however, actual funding requirements have been revised upwards due to the State's levies**, which reduce the scheme's debt-reduction capacity. As these levies require financing *via* short-term debt under the circumstance of persistently high interest rates, they would lead to an increase in net interest expenditure of almost €1 billion over the period 2023-2027.

The financial strategy for the coming years involves restructuring the debt and extending its average maturity. **Consequently, in January 2025, the Board of Directors reaffirmed the need to increase its long-term bond issuance programme to €4 billion in 2025** *(Table 5)*.

The rise in interest rates resulting from the monetary policies implemented since 2022 to curb inflation is weighing on Unédic's finances. In the eurozone, the ECB raised its key rates by 450 basis points between July 2022 and September 2023, taking the rate of interest on deposits to 4.0%. During 2024, the ECB marked the start of a cycle of key rate cuts in the eurozone, reducing its main key rate to 2.75% at its last monetary policy meeting on January 30, 2025.

Unédic's net interest expenditure should total €0.6 billion in 2024, €0.5 billion in 2025, €0.6 billion in 2026 and €0.8 billion in 2027. While interest represented less than 1% of Unédic's revenue until 2022, it has increased and will now account for a greater proportion.

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

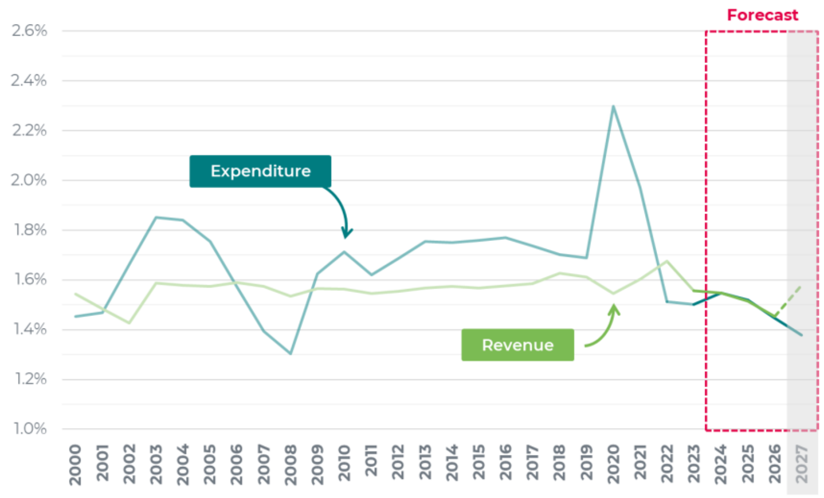
	2025	2026	2027
Financial balance (before funding plan)	**-0.2**	**0.2**	***6.3***
Change in outstanding Medium/Long-Term debt	1.0	1.8	*-2.3*
New Medium/Long-Term debt issuances	*4.0*	*8.0*	*3.0*
Medium/Long-Term debt reimbursments	*3.0*	*6.3*	*5.3*
Change in outstanding Short-Term debt	-0.8	-1.9	*-4.1*
Change in cash	0.0	0.0	*0.0*
Change in net debt	0.2	-0.2	*-6.3*
Net debt	59.5	59.3	*53.0*

Source: Unédic, Unédic financial forecasts for February 2025.

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

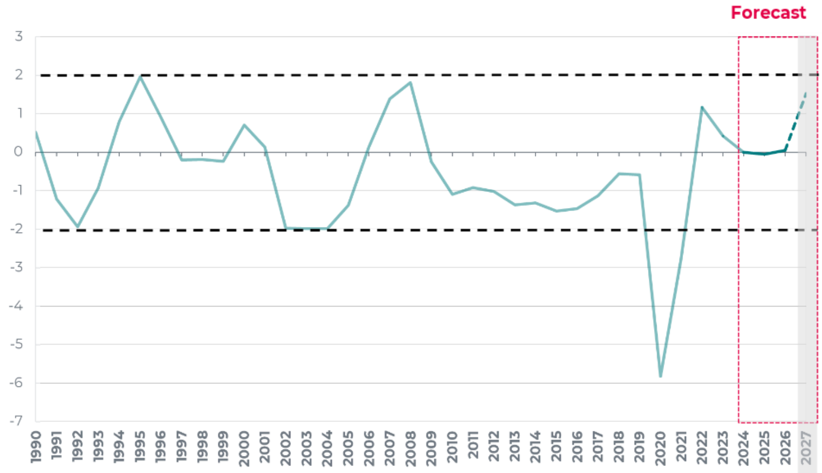
APPENDIX

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



Sources: INSEE, Unédic, Unédic financial forecasts for February 2025.
Note: revenue for 2027 is estimated on the assumption that no State levies will be paid in that year.

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



Source: Unédic, Unédic financial forecasts for February 2025.
Note: the financial balance for 2027 is estimated on the assumption that no State levies will be paid in that year.

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE 2025-2027

19 February 2025

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