Financial forecasts

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2025-2027

June 12, 2025

SYNTHESIS

In 2025 and 2026, the Unemployment Insurance scheme would find itself in a moderate deficit situation, in a deteriorating macroeconomic context.

The uncertainty affecting the global economy is not sparing the Unemployment Insurance. The deployment of protectionist measures is adding to existing geopolitical tensions, further increasing instability. Although temporarily relegated to the background by this international news, the uncertainty surrounding fiscal policy in France has not disappeared. In France, economic activity is likely to slow markedly in 2025 (+0.6% growth, after +1.1% in 2024), before picking up very gradually in 2026 (+0.9%). In 2027, growth would be +1.3%.

Against this altered macroeconomic backdrop compared to February 2025 forecast, the deterioration in employment would be confirmed and even amplified in 2025, with a net loss of 91,000 jobs. The recovery would be gradual in 2026 (+55,000) and subject to significant uncertainties, particularly in relation to the 2026 Finance Bill. The improvement in employment would be more marked in 2027 (+174,000).

In 2025 and 2026, the number of unemployed receiving the Unemployment Insurance benefits will fall. The downward effect of the 2019-2021 and 2023 reforms on the number of unemployed would be greater than the upward effect of the economic downturn. By the end of 2027, the number of employed will have risen to 2.5 million, this time due to the combined effect of a more favourable economic climate and the 2024 Unemployment Insurance Agreement.

In financial terms, the situation would continue to be marked by the €12.05 billion in total levies on Unédic revenues between 2023 and 2026, decided by the State. To this must be added a loss of CSG due to changes in the base for self-employed workers (-€800 million in 2026, -€400 million afterwards). In addition, the 0.05-point reduction in employers' contributions provided for in the 2024 Unemployment Insurance Agreement would reduce revenues proportionately (by almost €400 million at cruising speed). This would result in revenues of €45.0 billion in 2025, €44.1 billion in 2026 and, assuming no State levies, €49.5 billion in 2027.

The total expenditure of the Unemployment Insurance would fall between 2025 and 2027, from €45.2 billion to €44.2 billion. It should be noted that expenditure on benefits and aids alone would fall faster than total expenditure. In fact, Unédic's contribution to the financing of France Travail, amounting to 11% of unemployment insurance contributions for the year N-2, is calculated *before* application of State levies and represents €5 billion in 2025. The effective rate of contribution to the financing of the operator would therefore be 11.5% in 2025, 11.6% in 2026 and 11.8% in 2027.

The Unemployment Insurance scheme's debt reduction is set to come to a halt. Debt will fall to -€59.8 billion in 2025, then -€60.3 billion in 2026 and -€54.9 billion in 2027 (in the absence of the State levies for that year). At a time when Unédic is faced with repayment for the debt contracted at advantageous rates to deal with the COVID-19 crisis, new loans have to be launched at a time when interest rates are less favourable. Without the State's decisions to reduce revenues between 2023 and 2026 and the associated interest expense, estimated at nearly €1 billion over 2023-2027, debt would have reached -€41.9 billion by the end of 2027, close to the level seen before the health crisis began.

Note:

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

The potential effects of the Full Employment Act (i.e., loi pour le Plein emploi), which provides for extended registration with France Travail in 2025, particularly for RSA (i.e., Revenu de solidarité active) recipients, have not been included in this forecasting exercise.

The financial forecast for 2027 is fraught with considerable uncertainty insofar as it is based not only on a GDP growth trajectory that extends far into the future, but also on the assumption that the State will not intervene in 2027.

1. MACROECONOMIC ENVIRONMENT: THE GLOBAL CLIMATE IS DETERIORATING

OUTLOOK FOR GROWTH ADJUSTED DOWNWARDS AGAIN FOR 2025 AND 2026

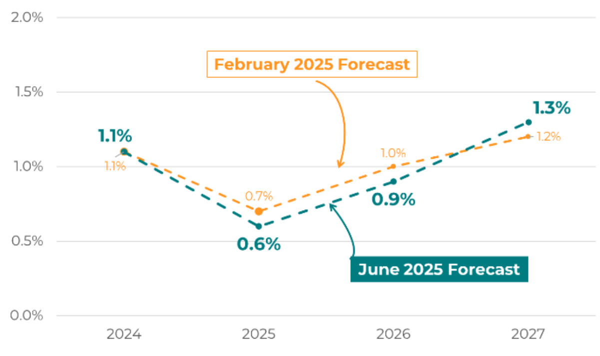
In 2024, GDP grew by +1.1%, with slightly negative growth in the final quarter (-0.1% quarter-on-quarter in Q4). This was followed by an equally slight rebound in the 1st quarter of 2025 (+0.1% quarter-on-quarter), taking the forecast for 2025 to +0.3%. **Economic activity is expected to remain sluggish throughout the year, with GDP growth of +0.6% in 2025** (as an annual average) in the latest forecast by the Consensus Forecasts (compared with +0.7% in the February 2025 Forecast) *(Chart 1)*.

France's political uncertainty has temporarily taken a back seat as the general focus shifts to the international context, which is particularly unstable due to the escalation of trade protectionism measures and their countermeasures, as well as certain geopolitical tensions. These international tensions could cost the French economy between 0.2 and 0.3 points of GDP, according to estimates available to date[1]. The effect would be transmitted via foreign trade, but also by fuelling the climate of unpredictability and therefore by slowing investment.

The recovery in economic activity is then expected to be very gradual, with the Consensus' GDP growth forecast for 2026 having been adjusted downwards in the wake of that for 2025. It now stands at **+0.9%** (compared with the 1.0% annual average forecast adopted in February 2025). It should be noted that, with this GDP forecast, the Consensus is more cautious than the other institutions making forecasts for this horizon *(Table 1)*.

We would have to wait until 2027 to see French economic growth strengthen, with GDP up by 1.3% according to the April 2025 Consensus Forecasts (the latest long-term forecast available). However, the long-term horizon of this forecast makes it uncertain.

CHART 1 - GDP GROWTH ASSUMPTIONS



Sources: INSEE for observation, Consensus Forecasts, Unédic financial forecasts from June 2025.

TABLE 1 - COMPARISON OF DIFFERENT GDP FORECAST SOURCES

GDP growth in volume	2024	2025	2026	2027
Unédic (Consensus of May 2025)	**1.1%**	**0.6%**	**0.9%**	**1.3%**
OECD (June 2025)	1.1%	0.6%	0.9%	
European Commission (May 2025)	1.2%	0.6%	1.3%	
OFCE (April 2025)	1.1%	0.5%	1.1%	
Government (RAA; April 2025)	1.1%	0.7%	1.2%	1.4%
Banque de France (March 2025)	1.1%	0.7%	1.2%	1.3%
Unédic forecast for February 2025	*1.1%*	*0.7%*	*1.0%*	*1.2%*

Sources: Consensus Forecasts (April 2025 for the 2027 forecast), OECD June 2025 Forecast, European Commission's European Economic Forecast, OFCE's 2025-2026 Outlook for the French Economy, Government's Annual Progress Report (RAA), March macroeconomic projections for the Banque de France; Unédic's June 2025 financial forecasts.

[1] OFCE (April 2025), France: L'incertaine croissance, European Economic Forecast. Spring 2025

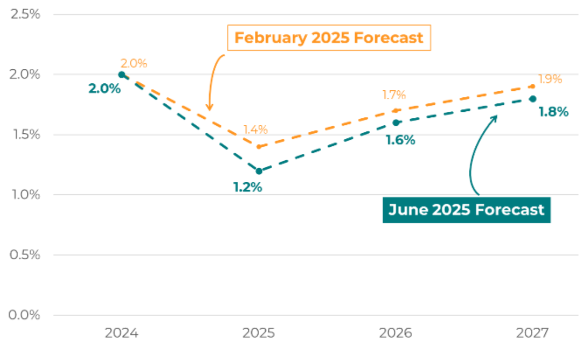
A (VERY) MODERATE INFLATION UNTIL AT LEAST AUTUMN 2025

After falling back below +2.0% since August 2024, **the inflation measured by CPI has fallen below +1.0% since February 2025 to +0.8%** (year-on-year) due to a significant fall in energy prices. This effect should dissipate over the next few months, with **inflation rising by an average of +1.2% in 2025**.

This pace is set to accelerate slightly, with inflation rising to +1.6% in 2026 and +1.8% in 2027 *(Chart 2 and Table 2)*. However, this forecast is subject to a number of uncertainties, some of which are normal, such as the trend in the price of a barrel of oil, while others are more specific, such as the trade protection measures announced by the United States and the potential retaliation from its trading partners.

At this stage, the European Central Bank (ECB) is basing its continued reduction of key interest rates on the observation and outlook of contained inflation — with 8 rate cuts over the past year and the deposit facility rate now standing at 2.0%. In doing so, the ECB is loosening a part of its monetary policy which is having an impact on short-term interest rates. However, the expansionary virtue of these rate cuts is limited by the ECB's tightening of another part of its monetary policy, which affects medium- and long-term interest rates, by ceasing to buy financial assets (essentially government bonds) issued within the eurozone (a non-conventional tool developed since the second half of the 2010s).

CHART 2 - INFLATION ASSUMPTIONS (CONSUMER PRICE INDEX)



Sources: INSEE for observed data, Consensus Forecasts, Unédic financial forecasts from June 2025.

TABLE 2 - COMPARISON OF DIFFERENT SOURCES OF INFLATION FORECASTS

Inflation	2024	2025	2026	2027
Unédic (May 2025 consensus; CPI)	**2.0%**	**1.2%**	**1.6%**	**1.8%**
OECD (June 2025; HCPI)	2.3%	1.2%	1.7%	
European Commission (May 2025; HCPI)	2.3%	0.9%	1.2%	
OFCE (April 2025; CPI)	2.0%	1.3%	1.8%	
Government (RAA; April 2025; CPI)	2.0%	1.4%	1.4%	1.75%
Banque de France (March 2025; HCPI)	2.3%	1.3%	1.6%	1.9%
Unédic forecast for February 2025 (CPI)	*2.0%*	*1.4%*	*1.7%*	*1.9%*

Sources: May 2025 Consensus Forecasts (April 2025 for 2027), OECD June 2025 Forecast, European Commission's European Economic Forecast, OFCE's 2025-2026 Outlook for the French Economy, Government's Annual Progress Report (RAA), March macroeconomic projections for the Banque de France; Unédic's June 2025 financial forecasts.

Note: the CPI is the Consumer Price Index. The HCPI is the Harmonised Consumer Price Index, designed for international comparisons.

THE DOWNTURN IN PRIVATE-SECTOR EMPLOYMENT AT THE END OF 2024 SHOULD CONTINUE IN 2025

In 2024, private sector employment alternated between quarters of net job creation and net job losses. In the 4th quarter, it fell by 81,100 jobs (compared with a first estimate of 50,100 by INSEE, used by Unédic for its February 2025 Forecast; quarterly variation). This fall in employment was greater than the job gains recorded over the first three quarters of 2024, so that **private salaried employment ultimately fell by 30,100 jobs throughout 2024** (year-on-year).

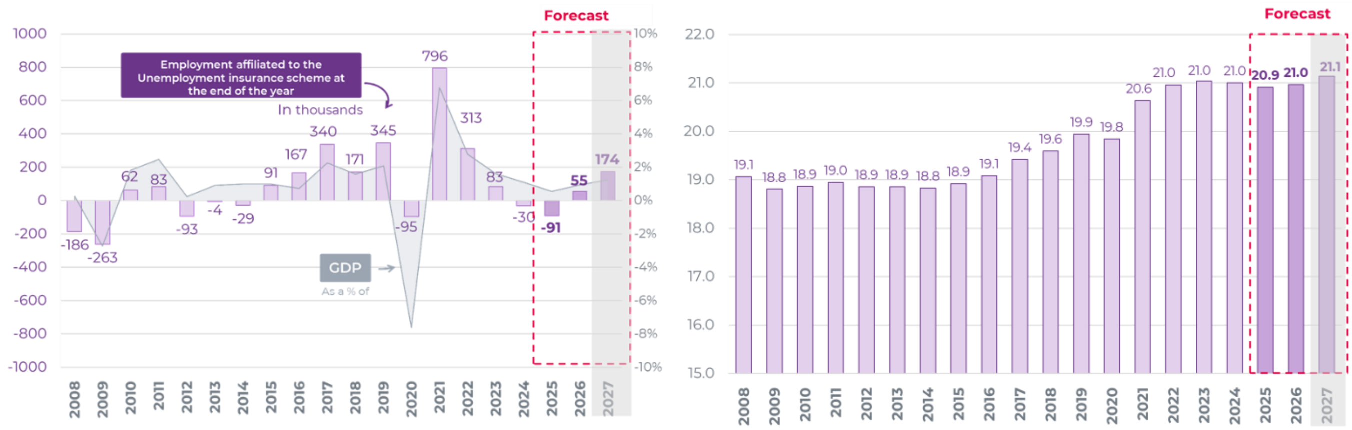
In the 1st quarter of 2025, private sector employment continued to fall, with 28,800 fewer jobs (quarter-on-quarter change), **despite a rebound in the non-market services sector**, which may have suffered from the delay in the adoption of the 2025 Finance Bill (i.e., Projet de loi de finances, PLF), given that hiring in this sector is highly dependent on public policies.

The leading employment indicators for the 2nd quarter of 2025 are mixed: the number of temporary hires continues the downward trend that began in early 2022, and the business and employment climate is below its long-term average for almost a year. Only the number of Pre-employment Declaration (i.e., Declarations Préalables À l'Embauche, DPAE) for contracts of more than one month rebounded sharply in April, particularly in the case of permanent contracts, but Urssaf believes that this is partly due to calendar effects that could lead to a backlash in May[2]. Against this backdrop, and given the weak GDP growth expected, **the downturn in employment should be confirmed in 2025, with 91,000 net jobs losses in the private sector** (year-on-year) *(Chart 3A)*. This forecast includes a reduction in the number of employees on work-study contracts as a result of the reduction in the apprentice recruitment bonus for contracts signed on or after February 24, 2025, which was decided in the 2025 Finance Act.

The gradual recovery in economic activity should support employment, which should once again improve in the medium term, with +55,000 net job creations in 2026 and +174,000 in 2027 (year-on-year). However, this more favourable employment forecast is made on the assumption of a gradual recovery in GDP from 2026 onwards and without pre-empting the adoption, content and effects of any measures on employment (subsidised contracts, apprenticeships, etc.) that will be taken in the 2026 Finance Act. Private salaried employment would thus reach 21.1 million by the end of 2027 *(Chart 3B)*. This employment trajectory is based on the assumption that productivity gains will be relatively moderate and, consequently, that productivity will only partially catch up with the trend that prevailed before the health crisis.

CHART 3A AND 3B - CHANGE AND LEVELS OF EMPLOYMENT AFFILIATED TO UNEMPLOYMENT INSURANCE

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



Sources: GDP: INSEE, Consensus Forecasts, employment affiliated to the Unemployment Insurance; Unédic financial Forecasts from June 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).

TOWARDS AN INCREASE IN THE UNEMPLOYMENT RATE IN 2025 AND TO A LESSER EXTENT IN 2026

The number of end-of-month jobseekers has been on a generally upward trend since mid-2024, mainly reflecting the dynamics of category A (*i.e.* individuals who are unemployed and obliged to look for work). **This trend continued in the 1st quarter of 2025, mainly due to administrative factors**. The first factor corresponds to **a change in the updating procedure** whereby, among the new individuals registering with France Travail, those who are not eligible for compensation are not required to update until they have signed their contract of employment; they are counted in category A during this period. A second factor is **the application of the Full Employment Act from January 1, 2025**, which means that all young people being monitored by Local Missions[3] will automatically be registered with France Travail in category A. Finally, the **deterioration in the labour market situation plays a minor role** compared to the other two factors.

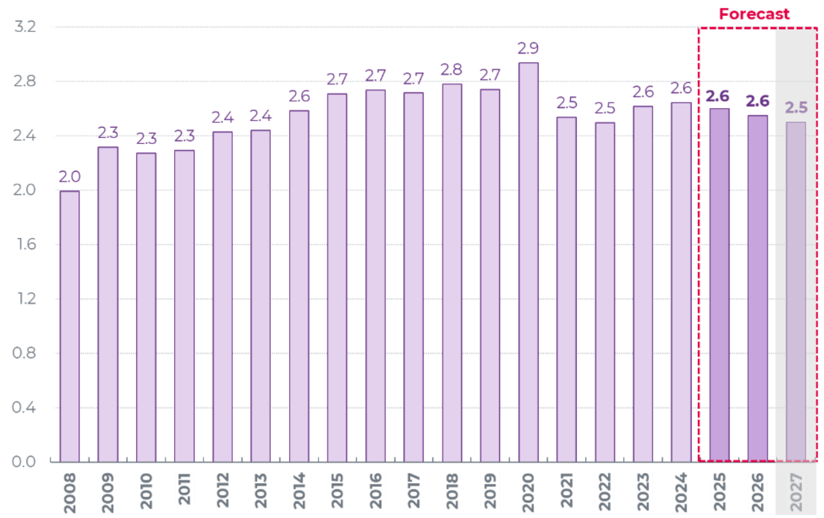
[2] https://www.urssaf.org/accueil/statistiques/nos-etudes-et-analyses/notre-publication-mensuelle/barometres-2025/indicateurs-urssaf-fin-avr2025.html
[3] Dares (April 2025), France Travail registrants on 1st January 2025

The Full Employment Act also requires all RSA recipients and applicants to be automatically registered with France Travail. They are recorded under a new category (category G) pending the signing of their contract of employment and assignment to a category from A to F (with category F being newly introduced for individuals facing significant obstacles to employment, rendering them currently unable to look for work immediately). As expected, the number of individuals registered in category G is massive (around 900,000 at the end of March 2025, according to Dares).
However, there is no mechanical link between these massive registrations with France Travail and the ILO unemployment rate[4]. While the reform is likely to lead indirectly to an increase in the ILO unemployment rate (with individuals newly registered with France Travail now declaring themselves to be actively seeking work), INSEE estimates at this stage that **these massive registrations have had no significant effect on ILO unemployment in the 1st quarter of 2025**[5]**.**

The ILO unemployment rate rose very slightly to 7.4% in 1st quarter 2025 (after 7.3% in 4th quarter 2024), corresponding to an additional +64,000 individuals classified as unemployed according to the ILO's definition. **This upward trend in the unemployment rate is expected to continue** because of the expected deterioration in the labour market, reaching **7.7% by the end of 2025 and 7.9% by the end of 2026**. However, as economic conditions improve, the unemployment rate will fall back to 7.6% by the end of 2027.

The increase in compensated unemployment was contained in 2024, with +27,000 individuals receiving compensation compared with the end of 2023 (after an increase of +121,000 between the end of 2022 and the end of 2023) *(Chart 4)*. The negative effect of the economic situation was largely offset by the ramp-up of the 2021 and 2023 unemployment insurance reforms. The 2023 reform, known as the "counter-cyclical" reform, is expected to continue to ramp up over the coming years, reaching cruising speed in 2027. By then**, in 2025 and 2026, the combined downward effect of the two Unemployment Insurance reforms on the number of unemployed receiving benefits would be greater than the upward effect of the economic situation**. In 2025, the number of individuals receiving unemployment benefit would fall by several tens of thousands to 2.6 million at the end of the year. The same forces would still be at work in 2026, so that the number of individuals receiving unemployment benefit would also fall very slightly but would still be around 2.6 million at the end of the year. The decline in the number of individuals receiving unemployment benefit would continue in 2027, falling to 2.5 million at the end of the year, but more because of the improvement in the economic situation and to a lesser extent due to the 2024 Unemployment Insurance Agreement, which would gain momentum.

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



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

[4] The potential effects of the Full Employment Act, which provides for extended registration with France Travail in 2025, are not included in this forecasting exercise, given the difficulty of quantifying its effects on unemployment and the active population.
[5] INSEE (May 2025), In the first quarter of 2025, the Unemployment rate was virtually stable at 7.4%

A SLOWDOWN IN NOMINAL WAGES BUT MODEST GAINS IN REAL WAGES

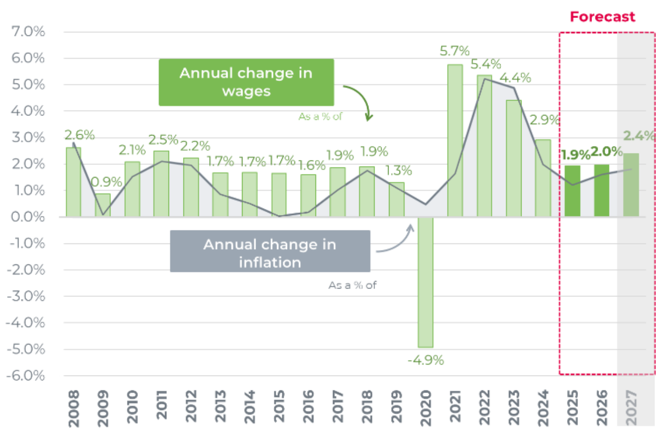
The payroll forecast by Unédic in its macroeconomic and financial forecasting exercise corresponds to the payroll subject to social security contributions. Unédic's forecast of the average wage per capita (AWPC) therefore corresponds to an AWPC subject to contributions.

In 2024, inflation, measured by Consumer Price Index (CPI), slowed significantly, with annual growth of +2.0% after +4.9% in 2023. This fall in inflation has led to lower wage increases as part of individual or collective bargaining. In addition to inflation, the downturn in the labour market may have weighed on wage growth. Despite this, nominal AWPC has slowed, but less than inflation, rising from +4.4% in 2023 to +2.9% in 2024, allowing real wage gains *(Chart 5A)*. This momentum continued in the 1st quarter of 2025, with nominal AWPC up by +2.2% (year-on-year), while inflation rose by +1.1% over the same quarter.

The slowdown is expected to continue for the rest of 2025, with nominal AWPC rising by 1.9% but remaining above the forecast inflation level of 1.2%. Wages should regain some momentum later on, rising by +2.0% in 2026 and +2.4% in 2027 as a result of inflation and the upturn in the economy.

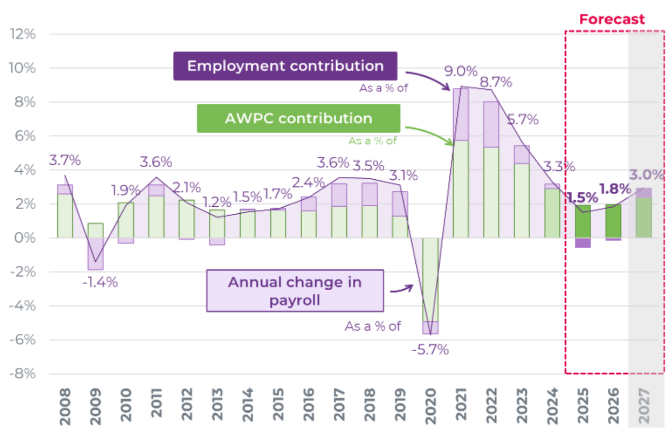
Given the slowdown in employment and wages, the payroll decelerated considerably in 2024, with growth of +3.3% over the year (after +5.7% in 2023). The slowdown is expected to continue in the short term, especially as employment is expected to make a negative contribution to payroll growth in 2025 *(Chart 5B)*. Payroll growth is expected to be fairly contained at 1.5% in 2025. It would then gradually pick up again thanks to a slightly better economic climate and grow by 1.8% in 2026 and 3.0% in 2027.

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



Sources: Urssaf Caisse nationale, INSEE, Consensus Forecasts, Unédic financial forecasts from June 2025.

CHART 5B - CHANGE IN PAYROLL SUBJECT TO CONTRIBUTIONS



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

TABLE 3 - SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2022	2023	2024	2025 Forecast	2026 Forecast	2027 Forecast
Growth, Prices and Wages						
GDP	**+2.8%**	**+1.6%**	**+1.1%**	**+0.6%**	**+0.9%**	**+1.3%**
CPI inflation	+5.2%	+4.9%	+2.0%	+1.2%	+1.6%	+1.8%
Average wage per capita (AWPC) in the competitive sector	+5.4%	+4.4%	+2.9%	+1.9%	+2.0%	+2.4%
Employment and payroll						
Employment covered by Unemployment insurance						
Average annual percentage change	**+2.7%**	**+1.0%**	**+0.3%**	**-0.5%**	**-0.1%**	**+0.5%**
Average annual level	20,796,000	21,010,000	21,070,000	20,958,000	20,934,000	21,047,000
Level at the end of the year	20,954,000	21,037,000	21,007,000	20,916,000	20,971,000	21,145,000
Year-on-year at year-end	+313,000	+83,000	-30,000	-91,000	+55,000	+174,000
Payroll in the competitive sector	**+8.7%**	**+5.7%**	**+3.3%**	**+1.5%**	**+1.8%**	**+3.0%**
Unemployment						
Unemployed receiving Unemployment insurance benefit (ARE, AREF, ASP, AREP, ATI)						
Average annual percentage change	**-12.0%**	**+4.3%**	**+2.3%**	**-0.9%**	**-1.7%**	**-2.1%**
Average annual level	2,473,000	2,579,000	2,639,000	2,616,000	2,573,000	2,519,000
Level at the end of the year	2,497,000	2,618,000	2,644,000	2,602,000	2,550,000	2,500,000
Year-on-year at year-end	-41,000	+121,000	+26,000	-42,000	-52,000	-50,000
ILO unemployment rate (end of year)	**7.1%**	**7.5%**	**7.3%**	**7.7%**	**7.9%**	**7.6%**

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

2. FINANCIAL SITUATION 2025-2027: INCREASINGLY COMPROMISED INDEBTEDNESS

UNEMPLOYMENT BENEFIT EXPENDITURE IS EXPECTED TO REMAIN RELATIVELY HIGH IN 2025, BEFORE FALLING AGAIN UNTIL 2027.

After rising to €37.1 billion in 2024, benefit expenditure is influenced by several upward and downward factors in the forecast:

- the 2023 reform and, to a lesser extent, the 2024 Agreement are having a downward effect on allocation expenditure[6];
- the rise in expenditure on CSP benefits, driven by an increase in layoffs observed in the economy, is having an upward effect on benefit expenditure;
- with the inflationary shock of 2022-2023 now behind us, we are also assuming that benefit increases will be lower than in previous years in the forecast[7], which would reduce the increase in benefit expenditure.

[6] The measure to reduce to 5 months the qualifying period for new entrants to the scheme is included in the "Employment of Experienced Employees and Evolution of Social Dialogue" Bill. As this Bill has not yet been passed by Parliament, this provision of the 2024 Agreement has not been included in our expenditure forecast at this stage.

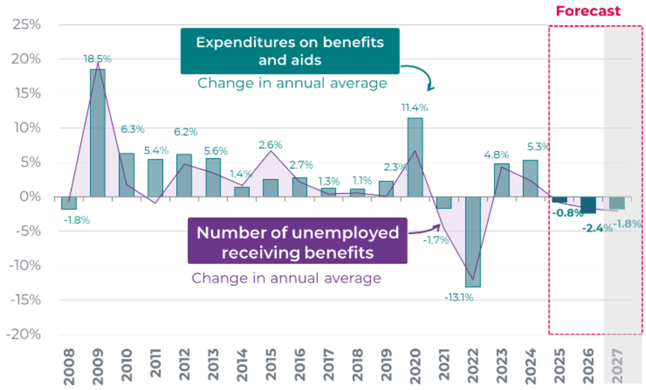
[7] As a reminder, the Unédic Board of Directors voted to increase unemployment benefit by 1.2% on July 1, 2024. For the coming years, our forecasts include revaluation assumptions of +0.6%, i.e. the average over 5 years of revalorisations that took place before 2022, and which do not prejudge future decisions by the Unédic's Board of Directors.

Ultimately, expenditure on unemployment benefits and aids will remain stable at €37.0 billion in 2025, then fall from 2026 under the more pronounced effects of the 2023 reforms and the 2024 Agreement, reaching €36.2 billion *(Chart 6A and 6B)*.

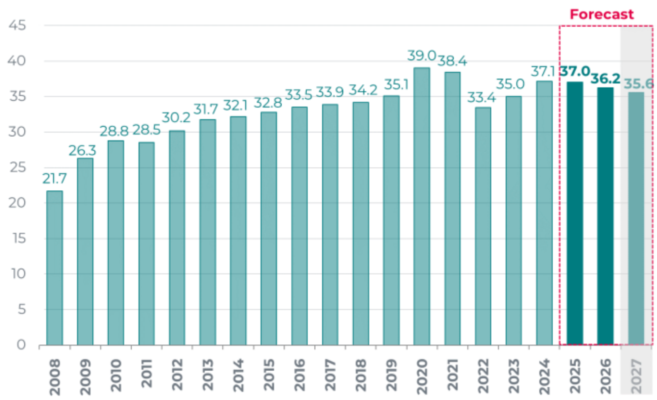
In 2027, with the end of the ramp-up of the 2023 reform and the continued ramp-up of the 2024 Agreement, the number of unemployed receiving benefit would continue to fall, reaching the 2.5 million, which would have a downward impact on benefit expenditure, which would amount to €35.6 billion.

CHART 6A AND 6B - UNEMPLOYMENT EXPENDITURES ON BENEFITS AND AIDS

A - ANNUAL % CHANGE



B - LEVEL, IN € BILLIONS



Sources: France Travail, Unédic, Unédic financial forecasts from June 2025.
Scope: France as a whole.

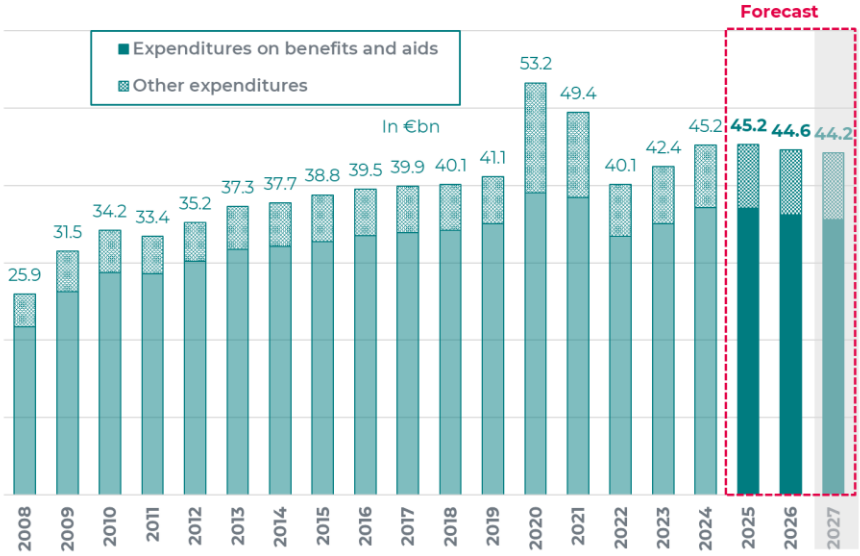
THE FALL IN TOTAL EXPENDITURE IS LIKELY TO BE LESS PRONOUNCED THAN THE FALL IN COMPENSATION EXPENDITURE, AS SOME NON-BENEFIT EXPENDITURE CONTINUES TO RISE

Unédic not only finances compensation for jobseekers, but also a large part of France Travail's operations, as well as supplementary pension for those receiving compensation and a third of the Furlough programme compensation paid to employers under this scheme. Part of the scheme's expenditure also corresponds to the interest expense, which represents the net interest paid following the borrowings we have taken out *(see below)*.

In practice, as Unédic's revenues increase as a result of increases in the payroll, the same applies to Unédic's financing of France Travail, which represents a growing proportion of total expenditure (including when compensation expenditure increases). Unédic's contribution to the financing of France Travail (11% of unemployment insurance contributions) is calculated on the basis of revenue for the previous two years, but before application of the reduced compensation for general reductions (or State levies). If the financing of the operator is related to the contributions actually collected by Unédic, this rate would correspond to 11.5% of revenues in 2025, 11.6% in 2026 and 11.8% in 2027.

The scheme's total expenditure would stabilise at around €45.2 billion in 2025 before declining to €44.6 billion in 2026 and €44.2 billion in 2027. This fall in total expenditure would therefore be less pronounced than the fall in compensation expenditure, since France Travail's funding would continue to increase mechanically due to the way it is calculated. The expected rise in interest charges would also slow the decline in the scheme's total expenditure *(Chart 7)*.

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



Source: Unédic, Unédic financial forecasts from June 2025.
Scope: France as a whole.

THE STATE'S DECISIONS ON THE FINANCING OF UNEMPLOYMENT INSURANCE ARE REDUCING THE SCHEME'S REVENUES

In 2024, Unédic's revenue reached €45.2 billion. In the forecast, they are expected to continue to rise, given the weak but positive trend in the payroll on which they are based. This trajectory would not be affected by the reduction in the employer's contribution of 0.05 point from May 1, 2025, agreed as part of the 2024 Unemployment Insurance Agreement and representing €400 million per year at cruising speed.

On the other hand, the decree of December 27, 2023, stipulates that **the funding of France Compétences and France Travail will result in reduced exemptions compensation of €12.05 billion from Unemployment Insurance's 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. No amount is mentioned for 2027. For Unédic, these provisions mean less compensation for general reductions in employers' contributions, and consequently a reduction in revenue.

These reduced compensations (or State levies) disrupt the interpretation of revenues from the unemployment insurance scheme, which are supposed to follow changes in the private sector payroll. This decoupling of our revenue and payroll forecasts will continue over the forecast horizon, as the lower compensation payments are expected to continue until 2026.

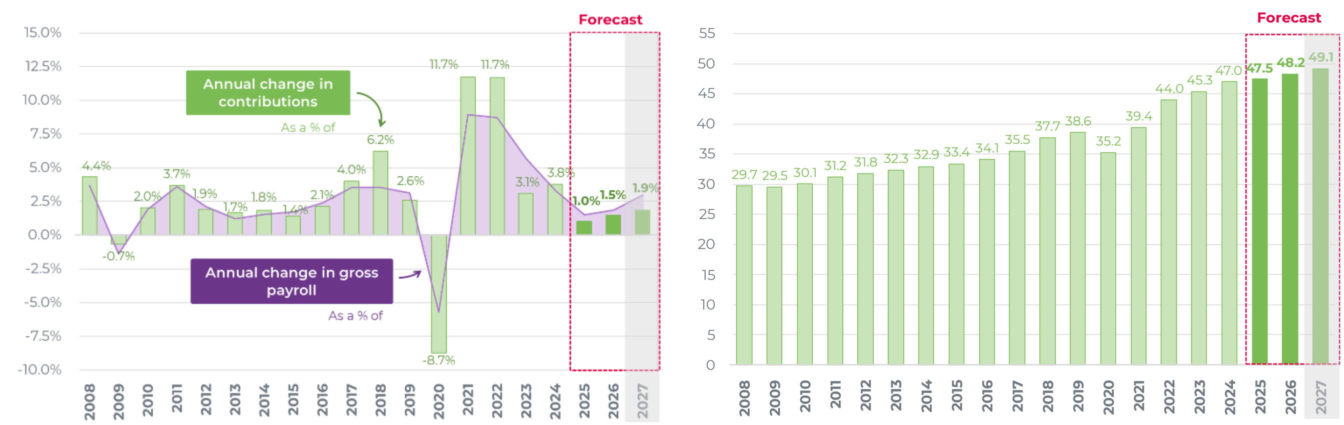
CSG revenues (assuming an allocation of 1.47 points of CSG Activity[8]) would continue to be adversely affected by the **change in the basis of assessment for social security contributions for self-employed workers** effective from January 1, 2025, with an estimated loss of **around €800 million in 2026 and €400 million each year from 2027 onwards**. In addition, the Social Security Financing Act for 2025 changed the basis of assessment for the CSG Activity, which now applies to the portion of apprentices' remuneration in excess of 50% of the minimum wage (SMIC). Given that this measure only applies to apprenticeship contracts signed or after March 1, 2025, its yield is expected to be fairly low in 2025 and to reach cruising speed only in 2026[9].

[8] This does not necessarily guarantee that the abolition of employee contributions will be properly compensated.
[9] Estimated at around €50 million.

In the absence of these minorities decided by the State, our payroll forecast would have resulted in an upward trend in unemployment insurance contributions *(Chart 8A and 8B)*. Taking these decisions into account leads to a fall, or even a decrease in forecasted revenues *(Chart 9)*. After falling to €45.2 billion in 2024, revenues are expected to fall to €45.0 billion in 2025, mainly as a result of the increase in the State levies. They will fall again in 2026 to €44.1 billion as a result of the CSG independent measure and a further increase in the State levies. Expected revenues in 2027 would be €49.5 billion assuming no State levies.

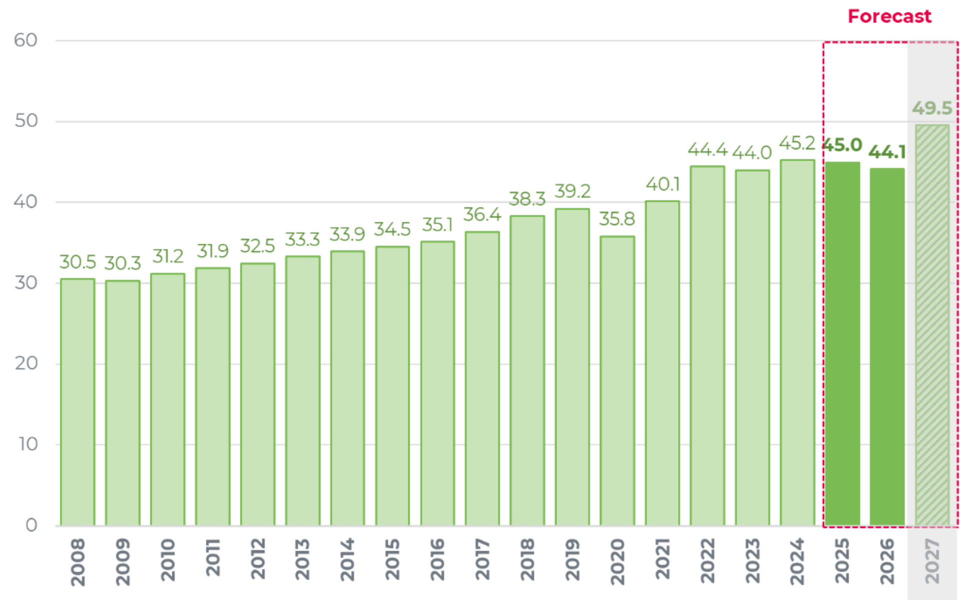
CHART 8A AND 8B - ESTIMATED UNEMPLOYMENT INSURANCE CONTRIBUTIONS EXCLUDING STATE LEVIES AND CSG LOSSES

A - ANNUAL % CHANGE **B - LEVEL, IN € BILLIONS**



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

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



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

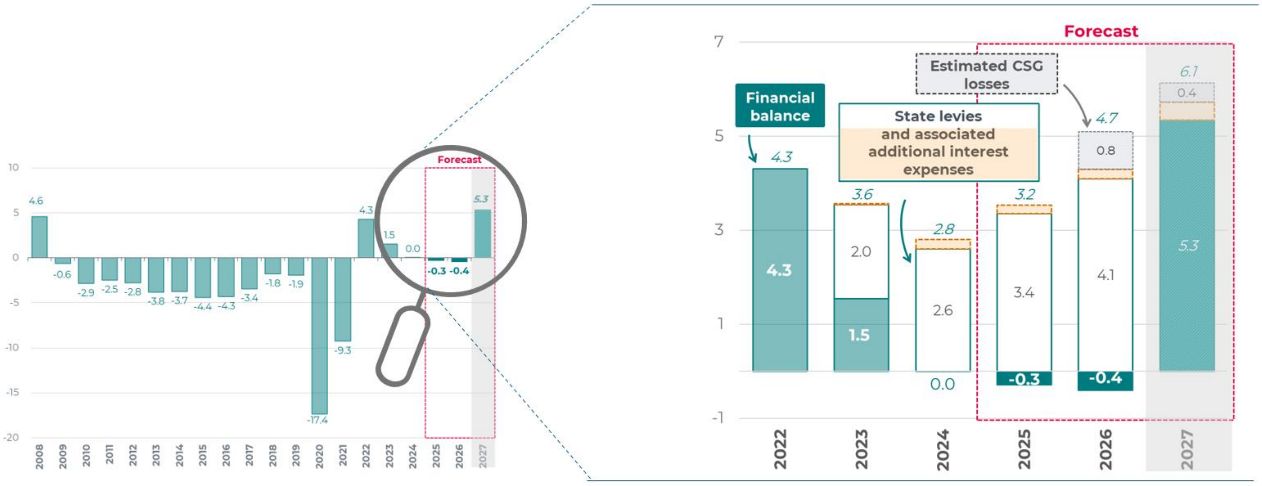
THE WORSENING MACROECONOMIC CONTEXT AND GOVERNMENT DECISIONS EXTERNAL TO UNEMPLOYMENT INSURANCE HAVE AN IMPACT ON THE FINANCIAL BALANCE OF UNÉDIC

In 2024, the scheme's financial balance will be close to equilibrium at €0.0 billion, following a positive balance of €1.5 billion in 2023 *(Chart 10)*. This reduction in the balance was due to a more sustained increase in expenditure (+€2.7 billion) than in revenue (+€1.2 billion).

The financial balance would remain slightly below breakeven at -€0.3 billion in 2025 and -€0.4 billion in 2026, due to an insufficient level of revenue to cover the scheme's expenditure, which nevertheless remains on a downward trend. The forecast financial balance of +€5.3 billion in 2027 assumes the absence of a State levies *(Chart 10)*.

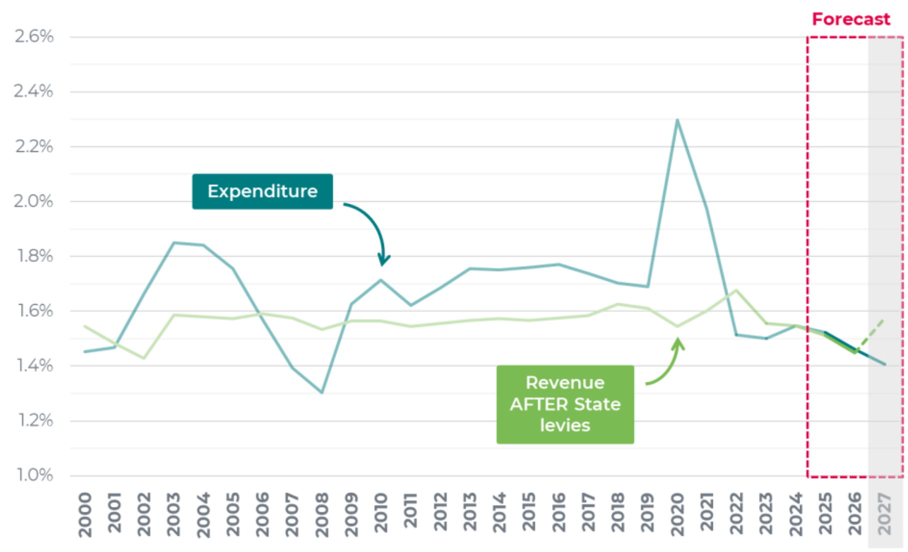
Expressed as a percentage of GDP, Unédic's revenue is expected to fall until 2026 to 1.4% of GDP, compared with an average of 1.6% of GDP in the past. This fall in revenue as a percentage of GDP is the result of the following measures: the impact of State levies from 2023, a 0.05-point reduction in the employer's contribution from 2025 and changes to the CSG base for the self-employed in 2026. Expenditure would remain stable at 1.5% of GDP until 2026, before falling more sharply in 2027 to 1.4% of GDP. **The weight of Unemployment Insurance in the economy is therefore expected to decline over the forecast horizon** *(Chart 11)*.

CHART 10 - UNEMPLOYMENT INSURANCE FINANCIAL BALANCE, IN € BILLIONS



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

CHART 11 - REVENUE AFTER STATE LEVIES AND UNEMPLOYMENT INSURANCE EXPENDITURE, AS % OF GDP



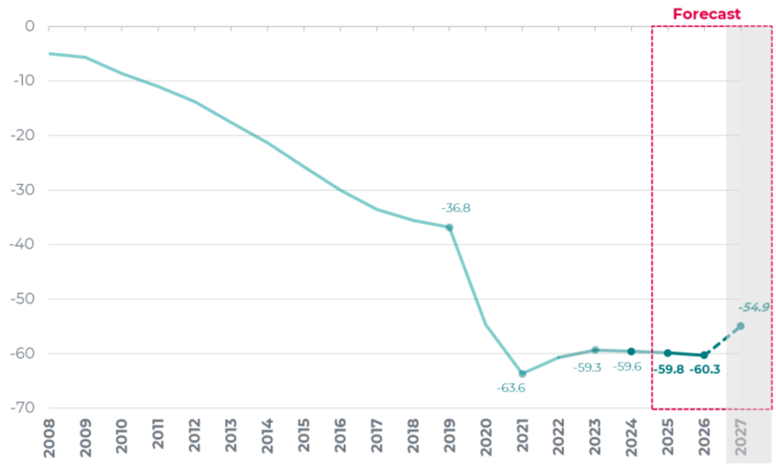
Source: Unédic, Unédic financial forecasts from June 2025.
Note: revenue for 2027 is estimated on the assumption that no State levies will be paid in that year.

HALT TO UNÉDIC'S DEBT REDUCTION

After two years of debt reduction in 2022 and 2023, Unédic's net debt stabilised at €59.6 billion at the end of 2024. This level of debt is expected to remain broadly unchanged until the end of 2026, due to virtually balanced financial positions *(Chart 12)*. This debt trajectory diverges sharply from that presented in the framework letter sent to the social partners in August 2023, which envisaged a halving of Unédic's level of debt in 2026 compared to its level in 2022 *(Box 1)*. In 2027, assuming no State levies that year, debt would reach €54.9 billion at the end of the year.

Without State levies and the associated interest expense, debt would reach €41.9 billion by the end of 2027, a level close to that seen before the health crisis.

CHART 12 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN € BILLIONS



Source: Unédic, Unédic financial forecasts from June 2025.
Note: net financial debt in 2027 is estimated on the assumption that no State levies will be paid in that year.

BOX 1 - REMINDER OF THE FRAMEWORK LETTER OF AUGUST 2023

Downward revisions to macroeconomic forecasts since the publication of the framework letter

The framework letter sent to the social partners in August 2023 was based on particularly voluntarist macroeconomic assumptions: "*According to the assumptions in the 2023-2027 Stability Programme, economic growth is expected to be 1.6% in 2024 and 1.7% in 2025 and 2026"*, high growth assumptions associated with an employment record leading to full employment by 2027.

Since the publication of this letter, GDP growth in 2024 has been estimated at +1.1% by INSEE. In September 2023, Unédic published a framework note based on more cautious assumptions*.
As regards the growth forecast for 2025, the Government is now assuming a growth rate of +0.7% according to its latest forecasts in its annual progress report of April 2025. The High Conseil of Public Finance (HCFP)** has judged this 2025 forecast to be in line with those produced by other bodies, but it has been significantly revised compared with the forecast presented in the letter setting out the framework . Lastly, the growth forecast of +0.9% for 2026 currently adopted by the Consensus Forecasts is also far from the assumption of +1.7% initially envisaged by the Government in its framework letter.

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

The letter 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".*

Still according to the letter, the assumptions made for 2024 to 2026 allowed a ***minority* of the surpluses** generated by Unédic to be allocated **to financing employment policy and the *majority*** to reducing the scheme's debt. The letter 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
** Opinion n°2025 - 3 Annual progress report 2025 | Haut Conseil des Finances Publiques

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

In €bn, on December 31	2021	2022	2023	2024	2025 Forecast	2026 Forecast	2027 Forecast
Revenue	**40.1**	**44.4**	**44.0**	**45.2**	**45.0**	**44.1**	***49.5***
Unemployment insurance contributions	39.4	44.0	43.3	44.4	44.2	43.3	*48.7*
of which Main contribution after State levies	24.7	27.7	26.6	27.2	26.6	26.2	*30.7*
Main contributions	*24.7*	*27.7*	*28.6*	*29.8*	*30.0*	*30.3*	*30.7*
State levies			*-2.0*	*-2.6*	*-3.4*	*-4.1*	
of which General social contribution (CSG)	14.7	16.2	16.8	17.3	17.5	17.1	*18.0*
Other income	0.8	0.5	0.7	0.8	0.8	0.8	*0.8*
Expenditure	**49.4**	**40.1**	**42.4**	**45.2**	**45.2**	**44.6**	***44.2***
Gross unemployment benefits and aids*	38.4	33.4	35.0	37.1	37.0	36.2	*35.6*
Furlough programme	3.9	0.2	0.1	0.1	0.1	0.1	*0.1*
Pension funds	2.6	2.2	2.4	2.5	2.4	2.4	*2.4*
Other expenses	4.5	4.3	4.9	5.5	5.7	5.8	*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	0.6	0.6	*0.8*
Financial balance	**-9.3**	**4.3**	**1.5**	**0.0**	**-0.3**	**-0.4**	***5.3***
Net financial debt***	**-63.6**	**-60.7**	**-59.3**	**-59.6**	**-59.8**	**-60.3**	***-54.9***

** In particular: ARCE, CSP bonus*
*** Assuming that France Travail's funding remains at 11% of N-2 revenues before State levies.*
**** Net financial debt excludes 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 from June 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 EXPENSE

The management of the unemployment insurance scheme is based on a counter-cyclical model, designed to mitigate the effects of economic fluctuations. This model consists of incurring debt during periods of economic slowdown (deficit), then reducing debt during periods of growth (surplus), in order to guarantee a sustainable financial balance. **In the current context, it is becoming crucial to reduce the accumulated debt in order to fully restore the scheme's ability to play its role as an economic and social shock absorber.**

However, the State's levies from Unédic's revenues totalling €12.05 billion over the period 2023-2026 are hampering the scheme's ability to reduce its debt. While bond issuance programmes were to remain limited to €1 billion per year, while enabling Unédic to ensure its liquidity on the financial markets, these amounts proved insufficient to cover actual financing requirements, due to the State's levies of €2.0 billion in 2023 and €2.6 billion in 2024. Faced with this imbalance, **Unédic has been forced to make greater use of its short-term debt issuance programme**. **However, this financing has had to be carried out in a context of high interest rates** linked to the restrictive monetary policy implemented by the European Central Bank (ECB) to counter inflation in the eurozone, making financing more expensive than before.

In 2025, Unédic increased its bond issue programme to €4 billion. This increase was intended to meet a twofold challenge: repaying medium- and long-term debt maturities while reducing the stock of short-term debt. However, the deterioration in the projected financial balance for 2025 prevents a significant reduction in the stock of short-term debt. The level of short-term debt remains high and bond issuance programmes in the coming years should enable a significant proportion of it to be refinanced, so that Unédic's outstanding short-term debt is consistent with its financial determinants and thus limits its refinancing risk.

This situation is part of a generally tense financial environment, marked by high long-term interest rates. This situation is explained in particular by the growing vigilance of investors with regard to the budgetary trajectory of countries - including France - and the risk that deficits pose to the sustainability of public debt.

Unédic's net interest expense should total €0.6 billion in 2025 and 2026, rising to €0.8 billion in 2027. While interest represented less than 1% of Unédic's revenue until 2022, it is now increasing and will weigh more heavily.

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

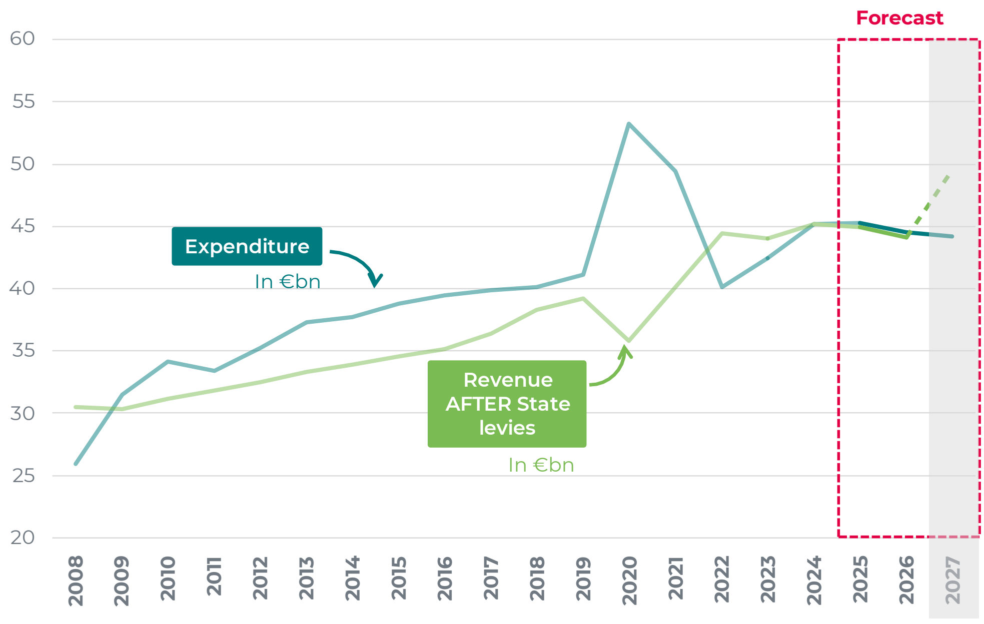
	2025	2026	2027
Financial balance (before change in funding plan)	**-0.3**	**-0.4**	**5.3**
Change in outstanding Medium/Long-Term debt	1.0	1.8	-1.3
New Medium/Long-Term debt issuances	*4.0*	*8.0*	4.0
Medium/Long-Term debt reimbursments	*3.0*	*6.3*	5.3
Change in outstanding Short-Term debt	-0.7	-1.3	-4.1
Change in cash	*0.0*	*0.0*	0.0
Change in net debt	0.3	0.4	-5.3
Net debt	*59.8*	*60.3*	*54.9*

Source: Unédic, Unédic financial forecasts from June 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.

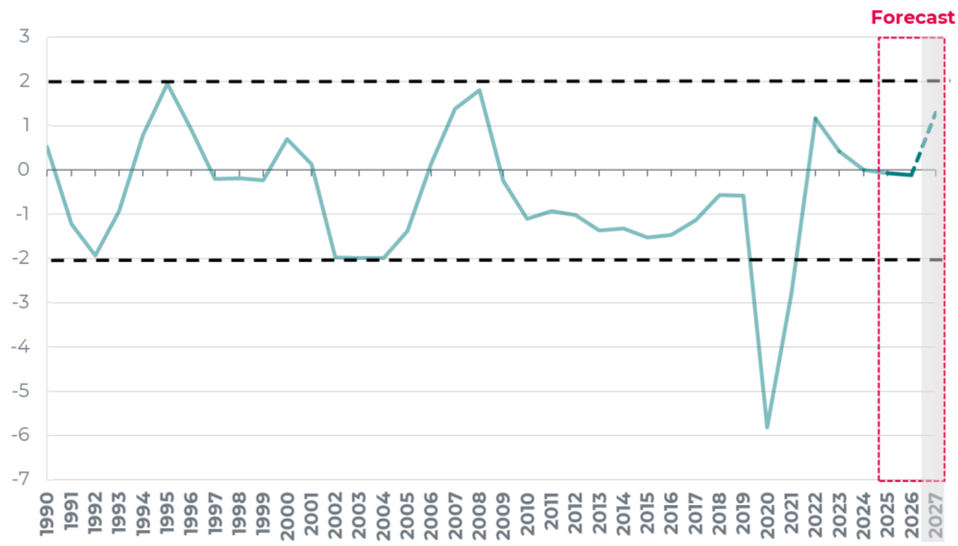
APPENDIX

CHART A - REVENUE AFTER STATE LEVIES AND UNEMPLOYMENT INSURANCE EXPENDITURE, IN € BILLIONS



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

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



Source: Unédic, Unédic financial forecasts from June 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

June 12, 2025

Laure Baquero, Cassandre Baufle, Boris Koehler, Gaëtan Stéphan, Yann Desplan

Unédic

4, rue Traversière 75012 Paris

T. +33 1 44 87 64 00

unedic.org