Financial Forecasts

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE BY 2028

17 June 2026

SYNTHESIS

Unédic anticipates that the Unemployment insurance deficit will widen to -€2.3 billion in 2026. The deteriorating economic climate is compounded by government decisions that are depriving the system of a portion of its revenue.

The conflict between the United States, Israel, and Iran is casting a shadow over the economic outlook. Unédic projects a growth of +0.6% in 2026, significantly lower than what was expected in the last forecasting exercise, which was based on assumptions made before the outbreak of the war in the Middle East. In 2027, growth is projected to be +0.9%. Driven by energy prices, inflation is also expected to rise again in 2026, before gradually subsiding in 2027 and 2028.

Private-sector employment is expected to continue declining: a loss of 55,000 jobs covered by Unemployment insurance in 2026 (following a loss of 65,000 in 2025), followed by a gain of 40,000 in 2027 and a more pronounced recovery in 2028 with 140,000 net new jobs. Consequently, Unédic expects the unemployment rate to rise by the end of 2026 (8.3%, compared to 7.9% in 2025), before falling back to 8.0% in 2028. While still constrained by regulatory effects—primarily the 2023 Unemployment insurance reform—the number of unemployed individuals receiving benefits is expected to rise slightly in 2026. It would then decline, though it would remain above 2.5 million beneficiaries over the forecast horizon.

In this context, Unemployment insurance expenditures are projected to rise in 2026 (€46.6 billion, compared with €45.3 billion in 2025) and again in 2027 (€47.5 billion). A decline is expected in 2028 (€47.2 billion), driven by the initial effects of the 2026 amendment to the Unemployment insurance agreement regarding mutually agreed terminations (i.e., ruptures conventionnelles), but this decline will be limited by the increase in expenditures other than benefits and assistance (€9 billion in 2028, compared to €8 billion in 2025). This other spending includes, in particular, Unédic's contribution to the funding of the France Travail agency, which represents 11% of unemployment insurance contributions from year N-2 before government deductions are taken into account.

Regarding revenue, government decisions continue to have significant consequences, particularly in 2026. The combination of State levy and losses from the CSG activity tax on the self-employed leads to a decrease in revenue this year: it is projected to amount to €44.3 billion in 2026, compared to €45.4 billion in 2025. In the absence of State levies planned for 2027 and 2028, revenue would rise sharply: to €49.6 billion, then €51.2 billion.

The pressure on revenue imposed by the government is occurring against the backdrop of a deteriorating macroeconomic environment, and the financial stability of the Unemployment insurance system is consequently being compromised. After a very slightly positive balance in 2025 (+€0.1 billion), the situation is expected to deteriorate significantly in 2026: -€2.3 billion. Assuming, as before, that there are no State levy in 2027 and 2028, the balance would return to positive territory: +€2.1 billion at the end of 2027, then +€4.0 billion at the end of 2028. These balance estimates are worse than the previous forecast from March 2026, reflecting the worsening economic conditions.

Consequently, after three years of stability, the Unemployment insurance debt is expected to rise again in 2026, reaching €61.5 billion. The debt reduction efforts initiated following the COVID-19 crisis have stalled. It is projected to resume in 2027 and 2028, with debt reaching €55.4 billion by the end of the forecast period, provided that Unédic maintains control over its revenues. It should be noted that this effort is hampered by the need to refinance, in a high-interest-rate environment, the debt incurred during the health crisis.

Notes:

Unédic's growth and inflation assumptions are based on the Consensus Forecast, an average of the forecasts of around twenty institutes and banks published each month. This forecast is based on the Consensus Forecasts published in June 2026.

The effects of measures from the 2026 Draft Finance Bill (PLF) and the Draft Social Security Bill (PLFSS) are incorporated into this forecast, including the suspension of the pension reform between September 2026 and December 2027.

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, are included in this forecasting exercise. However, they are subject to revision in the future in the light of changes in available data. The financial projections presented in this note take into account the effects of the agreement reached on February 25, 2026, by the social partners regarding compensation for mutually agreed terminations (i.e., ruptures conventionnelles) as part of the negotiations on the Unemployment insurance system.

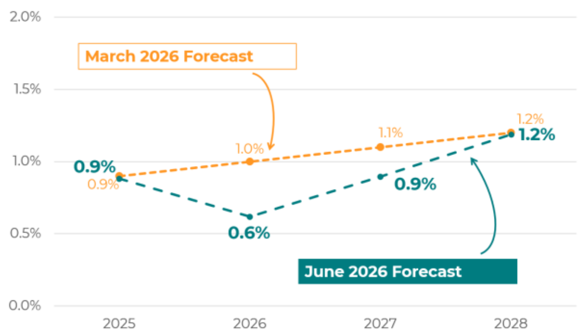
1. MACROECONOMIC SITUATION: ECONOMIC DOWNTURN AGAINST A BACKDROP OF CONFLICT IN THE MIDDLE EAST

ECONOMIC ACTIVITY, ALREADY SLUGGISH, IS FURTHER WEAKENED BY A HIGHLY UNSTABLE GEOPOLITICAL ENVIRONMENT

The February Consensus Forecast (used for the March Unédic forecast) projected a GDP growth of +1.0% in 2026 and +1.1% in 2027. Since then, GDP has declined by 0.1% in the 1st quarter of 2026, following a 0.2% increase in the previous quarter, reflecting both weak domestic demand and a marked slowdown in exports. At the end of the 1st quarter, cumulative growth for 2026 remains limited (+0.4%), while leading economic indicators (PMI[1], business climate) continue to point to a challenging environment.

Added to these factors are significant geopolitical uncertainties linked to the conflict in the Middle East and its potential repercussions on economic activity. **A revision of the GDP growth outlook was therefore expected. The Consensus Forecast now anticipates a growth of +0.6% in 2026 and +0.9% in 2027** *(Chart 1 and Table 1),* a trajectory that remains subject to downside risks. By contrast, the forecast for 2028 remains unchanged at +1.2%.

CHART 1 – GDP GROWTH ASSUMPTIONS



Sources: Insee for observed data; Consensus Forecast; Unédic's June 2026 financial forecasts for 2026 and 2027; and Unédic's April 2026 forecasts for 2028.

TABLE 1 – COMPARISON OF DIFFERENT GDP FORECAST SOURCES

GDP growth in volume	2025	2026	2027	2028
Unédic (June* 2026 Consensus)	**0.9%**	**0.6%**	**0.9%**	**1.2%**
Government (RAA 2026; Apr. 2026)	0.9%	0.9%	1.0%	1.2%
IMF (April 2026)	0.9%	0.9%	0.9%	1.2%
OFCE (April 2026)	0.9%	0.8%	1.0%	
Bank of France (March 2026)	0.9%	0.9%	0.8%	1.2%
Insee (March 2026)	0.9%			
Unédic's March 2026 Forecast	0.9%	1.0%	*1.1%*	*1.2%*

* April 2026 for the 2028 forecast

Sources: Consensus Forecast, June Macroeconomic Projections from the Bank of France, March Economic Outlook from Insee, 2026 Annual Progress Report from the government, IMF World Economic Outlook, Policy Brief No. 155 from the OFCE; Unédic's June 2026 financial forecasts.

ENERGY PRICES AND INFLATION FORECASTS ARE ON THE RISE AGAIN

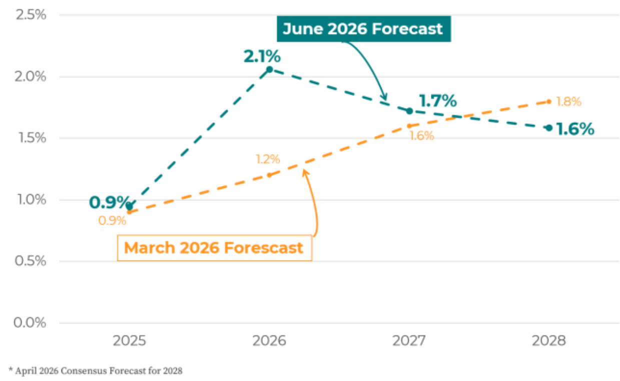
Inflation had fallen to +0.9% in 2025 and was expected to pick up very gradually by 2028 in our previous forecast *(Chart 2)*. Instead, international oil and gas prices have surged as a result of the destruction of much of the infrastructure in the Middle East, the blockade of the Strait of Hormuz, and renewed geopolitical tensions between the United States and Iran since February 28, 2026. In France, the energy CPI recorded negative year-over-year changes for more than a year before rebounding in the spring to +16.8% in May 2026 (year-over-year), pulling the overall CPI up with it. The overall CPI thus rose from +0.9% in February to +2.4% in May (year-over-year).

[1] The Purchasing Managers' Index (PMI) is a composite indicator of manufacturing activity at the national level.

The inflation forecast was therefore significantly revised upward to +2.1% for 2026 by the June **Consensus Forecast** (compared to +1.2% in the February 2026 forecast, which was used for the Unédic's March forecast). For now, the assumption is that the rise in energy prices will be relatively short-lived and will have no impact on other consumer spending categories.

This is why **inflation is projected to slow to +1.7%** (year-over-year) **in 2027**, according to the June Consensus Forecast, based on an oil price of $97.50 per barrel as of June 8, before falling very gradually to end at $76.80 in June 2027, a level that remains sustainably higher than before the start of the conflict in the Middle East. Inflation is expected to remain at a similar pace **in 2028 at +1.6%** (year-over-year) *(Table 2)*.

CHART 2 – INFLATION ASSUMPTIONS (CONSUMER PRICE INDEX)



Sources: Insee for observed data; Consensus Forecast; Unédic's June 2026 financial forecasts for 2026 and 2027; and Unédic's April 2026 forecasts for 2028.

TABLE 2 – COMPARISON OF DIFFERENT SOURCES OF INFLATION FORECASTS

Inflation (CPI)	2025	2026	2027	202
Unédic (June 2026 Consensus)*	**0.9%**	**2.1%**	**1.7%**	**1.6**
Government (RAA 2026; excluding tobacco)	0.9%	1.9%	1.75%	1.75
IMF (April 2026)	0.9%	1.8%	1.7%	1.9
OFCE (April 2026)	0.9%	1.8%	1.3%	
Insee (December 2025)	0.9%			
Unédic's March 2026 Forecast	*0.9%*	*1.2%*	*1.6%*	*1.8*

Sources: Consensus Forecast, Insee's March Economic Report, the government's 2026 Annual Progress Report, the IMF's World Economic Outlook, OFCE Policy Brief No. 155; Unédic's June 2026 financial forecasts.

EMPLOYMENT: PRIVATE-SECTOR EMPLOYMENT CONTINUES TO DECLINE IN THE SHORT TERM

After six consecutive quarters of decline, private-sector employment has lost nearly 110,000 jobs, including 65,000 in 2025 (year-over-year). The trend continues, with a net loss of 13,900 jobs already recorded in the 1st quarter of 2026 *(Chart 3)*, in line with Unédic's March 2026 forecast. Behind this overall trend lie nuanced sectoral patterns: salaried employment has been consistently declining in the industrial sector for the past 6 quarters and in the construction sector for the past 13 quarters (quarter-over-quarter), while the agriculture, market services, and non-market services sectors have seen alternating increases and decreases in their workforce (quarter-over-quarter).

The usual leading indicators for employment are not encouraging. The employment climate is sinking below its long-term average, weighed down in May by poor outlooks for planned staffing levels in the services sector[2]. This comes as hiring pressures—measured by recruitment difficulties[3]—have been trending downward in construction, manufacturing, and services for several years — albeit from a high starting point — and as the number of temporary workers has stagnated at around 700,000, a low level not seen since 2017.

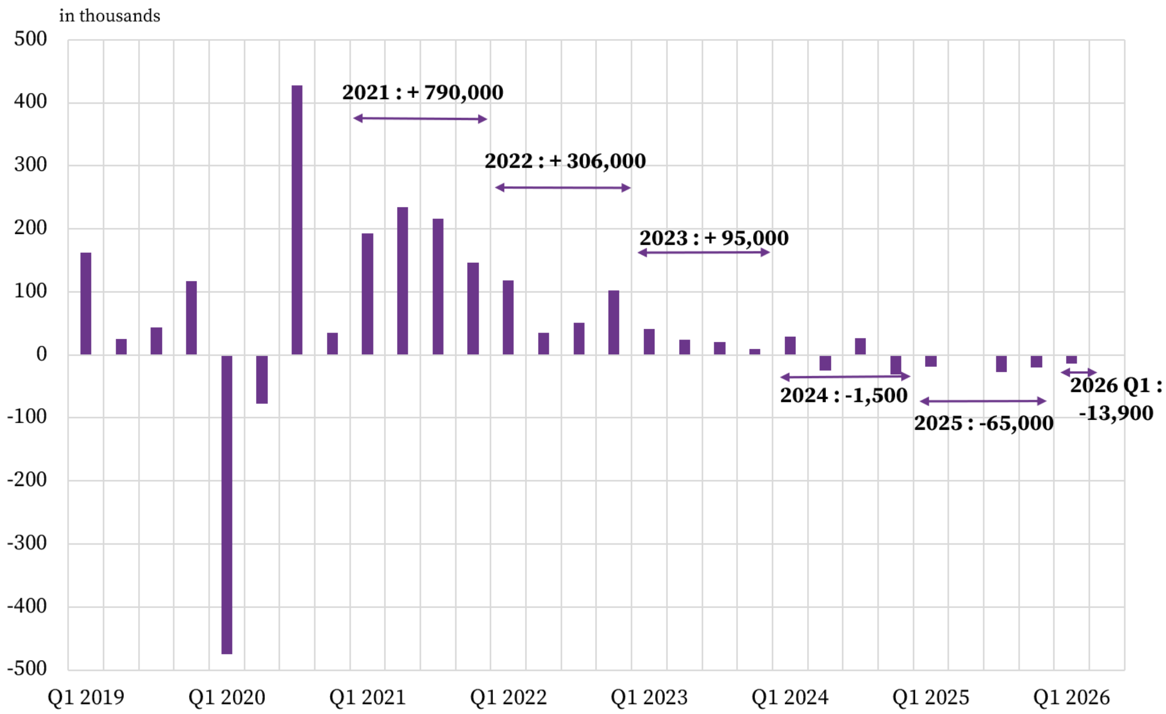
In a tight fiscal environment, standard public employment policy measures are no longer sufficient to sustain employment and are instead expected to put downward pressure on employment levels. This was already the case in 2025 with the decline in the number of subsidized contracts, but especially in apprenticeship subsidies. This trend is expected to continue into 2026.

As a result, private-sector salaried employment is projected to decline by **approximately 55,000 jobs in 2026**, a drop similar to that recorded in 2025 (year-over-year). Net job creation is expected to be very modest in 2027, against a backdrop marked by the suspension of the pension reform, which is expected to result in slower growth

[2] Insee, Business Climate - May 2026
[3] These series, produced by Insee in its quarterly business surveys, measure the percentage of companies experiencing recruitment difficulties in the services, manufacturing, and construction sectors.

of the labor force, automatically affecting both employment and unemployment figures. A genuine recovery in private-sector salaried employment is not expected to materialize until 2028 *(Charts 4A and 4B)*.

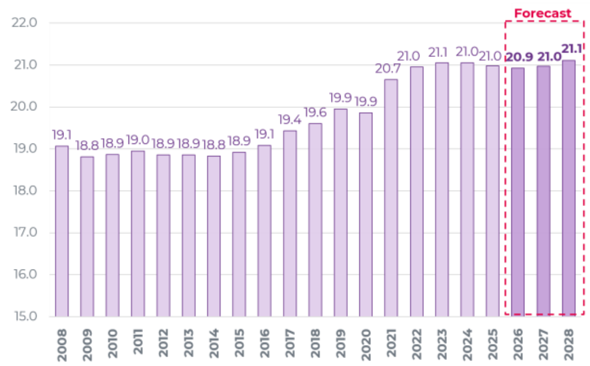
CHART 3 - QUARTERLY CHANGE IN PRIVATE SECTOR EMPLOYMENT (AT THE END OF THE QUARTER)



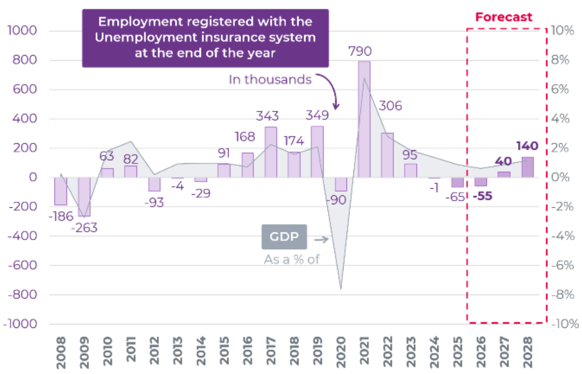
Sources: Insee, Unédic's June 2026 financial forecasts.
Last update: 1st quarter of 2026.

CHART 4A AND 4B – CHANGE AND LEVEL OF EMPLOYMENT REGISTRED WITH UNEMPLOYMENT INSURANCE

A – YEAR-END LEVEL, IN MILLIONS



B – ANNUAL CHANGE, IN THOUSANDS



Sources: GDP: Insee, Consensus Forecast, employment registered with the Unemployment insurance system; Unédic's June 2026 financial forecasts based on salaried employment data jointly produced by Insee, Urssaf Caisse nationale, and Dares.
Scope: Employment registered with the Unemployment insurance system. France excluding Mayotte. Seasonally adjusted data.

UNEMPLOYMENT: THE DETERIORATION OBSERVED IN RECENT MONTHS IS EXPECTED TO CONTINUE IN THE SHORT TERM

The ILO unemployment rate has risen steadily since late 2024, reaching 7.9% in the 4th quarter of 2025. In 2025, the number of ILO-counted unemployed increased by 224,000 (year-over-year). The net loss of 65,000 private-sector salaried jobs contributed to this trend but does not fully explain the magnitude of the increase. This is especially true given that total employment actually rose by 20,000 people year-over-year in 2025, driven by self-employment. The sharp rise in ILO unemployment is, in fact, largely due to the rapid growth of the labor force (nearly 250,000 people in 2025[4]), which is believed to result from the 2023 pension reform as well as the Full Employment Act, which mandates the automatic registration of RSA recipients and young people supported by local employment missions with France Travail[5].

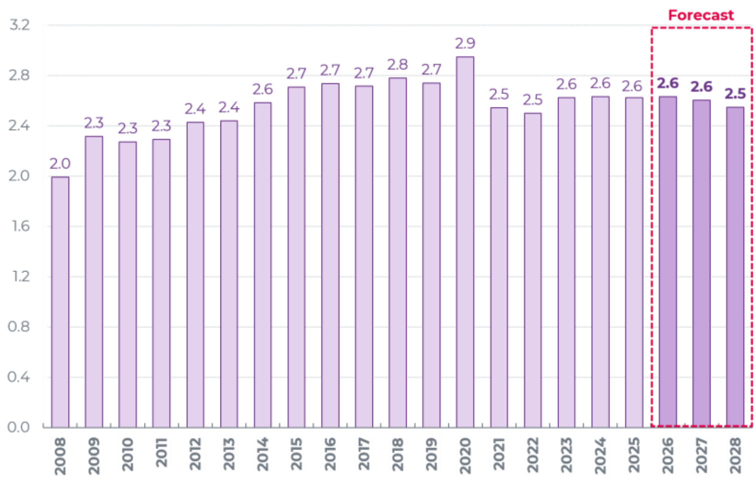
In the 1st quarter of 2026, ILO unemployment continued to rise, reaching 8.1% of the labor force and affecting 68,000 more people than at the end of 2025. Given the trends in the labor force and the employment forecast, the ILO unemployment rate is expected to continue rising in the coming months, reaching 8.3% by the end of 2026. As the labor market situation stops deteriorating in 2027, the unemployment rate is projected to begin declining again, ending at 8.0% by the end of 2028 *(Table 3)*, moving away from the countercyclical threshold introduced by the 2023 unemployment insurance reform *(Box 1)*.

Despite the sharp rise in ILO unemployment in 2025, the number of unemployed people receiving benefits remained stable. The cyclical downturn was in fact offset by the growing impact of the 2023 reform, as well as by the initial effects of the 2024 Unemployment Insurance Agreement. As a result, the number of unemployed people receiving benefits remained flat at 2.6 million in 2025.

The effects of the 2023 reform, which remain significant, are expected to continue to reduce the number of unemployed people receiving benefits in 2026, though they will not completely stem the rise in that number (+6,000 people, bringing the total to 2.6 million recipients by year-end) *(Chart 5)*.

This increase would, however, be temporary: **economic conditions would become more favorable again in 2027**, just as the regulatory effects would subside, since the 2023 unemployment insurance reform is expected to have reached its steady state by then. The number of unemployed people receiving benefits would gradually begin to decline again, heading toward 2.5 million by the end of the forecast period *(Table 3)*.

CHART 5 – NUMBER OF UNEMPLOYED RECEIVING UNEMPLOYMENT INSURANCE BENEFITS (YEAR-END-LEVEL, IN MILLIONS)



Sources: France Travail, Unédic's June 2026 financial forecasts.

Scope: Unemployed receiving ARE, AREF, ASP, and ATI benefits. Entire France. Seasonally adjusted data.

[4] "Inflation Resurges, Growth Weakens," Insee Economic Report, March 2026

[5] Insee, "In the first quarter of 2026, the unemployment rate rose by 0.2 percentage points to 8.1%," May 2026

BOX 1: OVERVIEW OF THE RULES OF THE 2023 REFORM (KNOWN AS THE "COUNTERCYCLICAL" REFORM)

Since the 2023 Unemployment insurance reform—also known as the "countercyclical" reform—regardless of economic conditions, when a person becomes eligible for unemployment benefits, a reduction factor (75%) is applied to the duration of their entitlement, with a minimum of 6 months. The maximum benefit periods are now 18, 22.5, and 27 months, respectively, for individuals who become eligible at age 55 or younger, ages 55–56, or age 57 or older.

In the event of unfavorable economic conditions, an end-of-benefits supplement (CFD) corresponding to the 25% reduction is paid to individuals whose benefits are about to expire. This applies to all individuals registered with France Travail who are eligible for benefits under the general system and whose benefits were set to expire within 30 days (in metropolitan France and Monaco).

Adverse economic conditions are characterized by one of the following conditions:
- an unemployment rate that reaches or exceeds the 9.0% threshold over a quarter
- OR a change of 0.8 percentage points or more in the unemployment rate over a quarter.

In this case, the "end-of-benefits supplement" (EBS) is triggered *via* a circular from Unédic within 10 days of Insee's publication of the ILO-defined unemployment rate for France (excluding Mayotte).

In the event of an economic upturn, the EBS ceases to be paid on the first day of the month following the publication of the Unédic circular confirming that the following two cumulative conditions have been met over three consecutive quarters:
- the unemployment rate has fallen below the 9.0% threshold
- AND quarterly fluctuations in the unemployment rate of less than 0.8 percentage points.

Economic conditions have been deemed favorable under the countercyclical criteria since mid-2018, excluding the COVID-19 period. They are expected to remain so through the forecast horizon despite the anticipated continued rise in the unemployment rate.

SHORT-TERM SLOWDOWN IN TOTAL PAYROLL DESPITE WAGES BEING DRIVEN UPWARD BY THE INFLATIONARY REBOUND

The total payroll projected by Unédic in its macroeconomic and financial forecast corresponds to the total payroll subject to social security contributions. The forecast for average wage per-capita (AWPC) earnings is therefore also based on the portion of compensation subject to contributions.

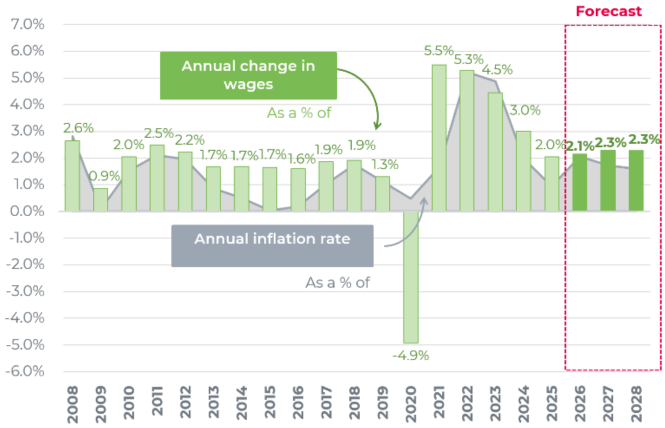
In 2025, nominal wages continued to lose momentum in line with the slowdown in inflation *(Chart 6A)*. Since the slowdown in inflation was more pronounced than that of nominal wages, employees continued to benefit from gains in purchasing power in 2025.

This is not expected to be the case in 2026, as wage growth (+2.1% after +1.9%, year-over-year) **is projected to be similar to price growth** (+2.1% after +0.9%). Indeed, while wages are driven by inflation—particularly through the minimum wage *(Box 2)*—they are also influenced by other factors such as productivity and unemployment. In this case, the observed and projected rise in unemployment is expected to weigh on wage growth in 2026. **In 2027 and 2028, wages are expected to continue on a moderately upward trend, driven first by productivity gains and then by the decline in unemployment**. Their growth would then be slightly higher than that of prices.

Wages are expected to be the main driver of total payroll. In fact, they are projected to be the sole driver in 2026 and 2027. The contribution from employment is expected to remain negative in 2026, given the anticipated job losses. It would also remain slightly negative in 2027, as total payroll is calculated as an annual average and still includes a portion of the job losses recorded at the end of 2026.

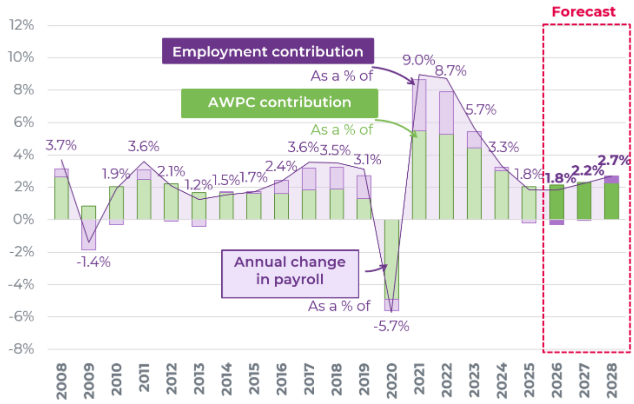
Finally, **the growth rate of the total payroll** in 2026 is expected to be close to that recorded in 2025 at +1.8%. It is projected to accelerate in 2027 and then more sharply in 2028, thanks to the return of a positive contribution from employment *(Chart 6B)*.

CHART 6A – CHANGES IN THE AVERAGE WAGE PER CAPITA (AWPC) SUBJECT TO CONTRIBUTIONS



Sources: Urssaf Caisse National, Insee, Consensus Forecast, Unédic's June 2026 financial forecasts.

CHART 6B – CHANGE IN PAYROLL SUBJECT TO CONTRIBUTIONS



Sources: Urssaf Caisse Nationale for the AWPC and total payroll, Insee for employment, Unédic's June 2026 financial forecasts.
Scope: total payroll subject to social security contributions in the competitive sector.

TABLE 3 – SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Forecast
Growth, Prices, and Wages						
GDP	**+1.9%**	**+1.4%**	**+0.9%**	**+0.6%**	**+0.9%**	**+1.2%**
CPI Inflation	+4.9%	+2.0%	+0.9%	+2.1%	+1.7%	+1.6%
Average wage per employee (AWPC) in the competitive sector	+4.5%	+3.0%	+2.0%	+2.1%	+2.3%	+2.3%
Employment and payroll						
Employment registered with Unemployment insurance						
Average annual percentage change	**+1.0%**	**+0.2%**	**-0.2%**	**-0.3%**	**-0.0%**	**+0.4%**
Average annual level	21,015,000	21,066,000	21,020,000	20,953,000	20,944,000	21,033,000
Level at the end of the year	21,051,000	21,049,000	20,984,000	20,929,000	20,968,000	21,108,000
Year-over-year change at year-end	+95,000	-1,000	-65,000	-55,000	+40,000	+140,000
Payroll in the competitive sector	**+5.7%**	**+3.3%**	**+1.8%**	**+1.8%**	**+2.2%**	**+2.7%**
Unemployment						
Unemployed receiving unemployment benefits (ARE, AREF, ASP, AREP, ATI)						
Average annual percentage change	**+4.2%**	**+2.0%**	**-0.6%**	**+0.3%**	**-0.6%**	**-1.6%**
Average annual level	2,586,000	2,638,000	2,624,000	2,632,000	2,616,000	2,573,000
Level at the end of the year	2,627,000	2,634,000	2,626,000	2,632,000	2,605,000	2,549,000
Year-over-year change at year-end	+124,000	+7,000	-8,000	+6,000	-27,000	-56,000
ILO Unemployment Rate (end of the year)	**7.6%**	**7.3%**	**7.9%**	**8.3%**	**8.2%**	**8.0%**

Sources: Consensus Forecast, Insee, Urssaf Caisse nationale France Travail, Unédic's June 2026 financial forecasts.
Scope: France excluding Mayotte, seasonally adjusted data for affiliated employment and ILO unemployment; Entire France, seasonally adjusted data for unemployed benefits recipients.

2. FINANCIAL SITUATION: THE SCHEME IS EXPECTED TO REDUCE ITS DEBT, BUT LESS THAN ITS FUNDAMENTALS WOULD HAVE ALLOWED

THE SCHEME'S REVENUES SUFFER FROM NO LONGER BEING ALIGNED WITH THEIR MACROECONOMIC FUNDAMENTALS

The decree of December 27, 2023, stipulates that the funding of France Compétences and France Travail will result in reduced compensation for tax exemptions on Unemployment insurance revenues totaling €12.05 billion 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. At this stage, the legislation does not mention any reductions in compensation for subsequent years.

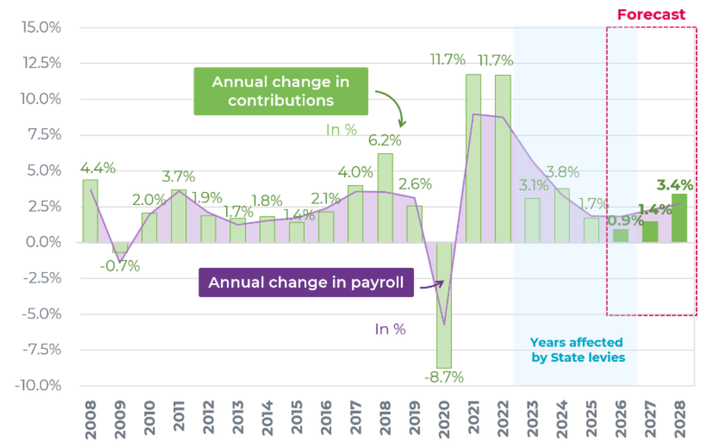
For Unédic, these provisions result in **lower compensation for general reductions in employer contributions** and, consequently, a reduction in revenue collected. In addition to these measures, CSG revenue (assuming an allocation of 1.47 CSG Activity points) is negatively impacted by the **change in the contribution base for self-employed workers,** effective as of January 1, 2025, with an estimated loss of approximately €800 million in 2026—due to a "double" effect that year resulting from the specific income reporting procedures for the self-employed—and then €400 million each year starting in 2027.

In the absence of any compensation whatsoever and given the loss of CSG revenue from the self-employed, Unemployment insurance contributions would have increased as a result of the rise in the total payroll *(Charts 7A and 7B)*, even taking into account the reduction in the Unemployment insurance contribution rate to 4% in May 2025 (down from 4.05% previously), as agreed upon in the 2024 Unemployment insurance agreement.

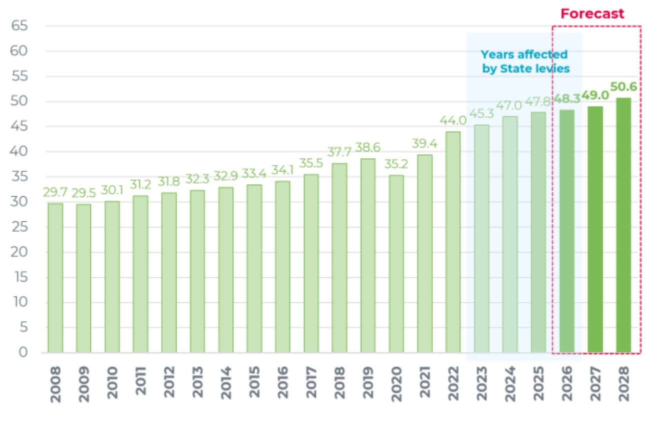
However, factoring in State levies and the loss of CSG revenue from the self-employed leads to a decrease in revenue for the year 2026 *(Chart 8)*. After reaching €45.4 billion in 2025, revenue would fall to €44.3 billion in 2026, representing a significant net decline of more than €1.0 billion. Revenues would begin to rise again starting in 2027 and would amount to more than €51 billion in 2028, assuming no State levies but still with a loss in CSG Activity revenue of approximately €400 million per year.

CHART 7A AND 7B – ESTIMATED UNEMPLOYMENT INSURANCE CONTRIBUTIONS, EXCLUDING STATE LEVIES AND CSG LOSSES

A – ANNUAL CHANGE IN %



B – LEVEL, IN € BILLION



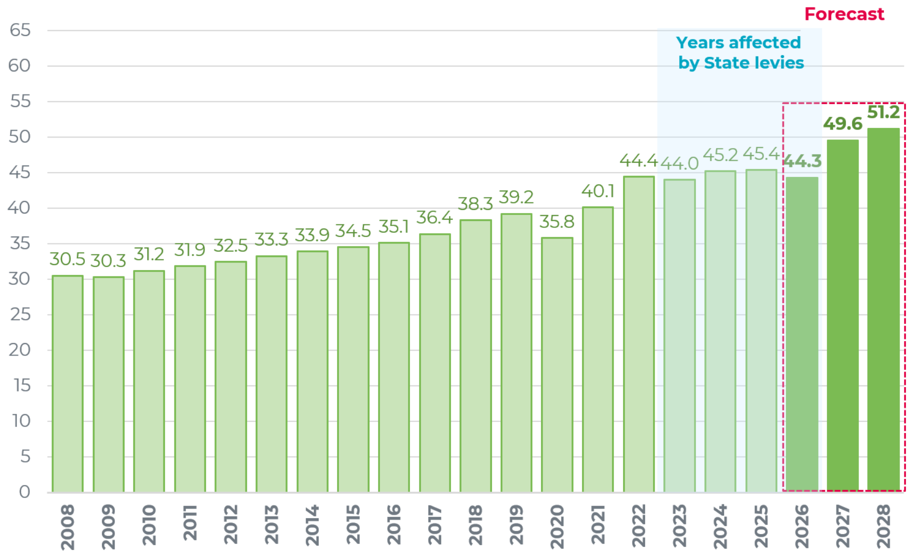
Sources: Urssaf Caisse Nationale, Unédic, Unédic's June 2026 financial forecasts.

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

Note: Revenues for 2027 and 2028 are estimated based on the assumption that no State levies will be collected during those two years.

In the absence of State levies, and despite losses in the CSG Activity tax on the self-employed, Unédic's revenues would then approach their macroeconomic fundamentals—around 1.6% of GDP—starting in 2027.

CHART 8 – TOTAL UNEMPLOYMENT INSURANCE REVENUE, INCLUDING STATE LEVIES AND CSG LOSSES, IN € BILLIONS



Source: Unédic, Unédic's June 2026 financial forecasts.
Note: Revenues for 2027 and 2028 are estimated on the assumption that no State levies will be collected during those two years.

EXPENDITURES ON UNEMPLOYMENT BENEFITS AND AIDS ARE PROJECTED TO INCREASE IN 2026 AND 2027, BEFORE BEGINNING TO DECLINE IN 2028

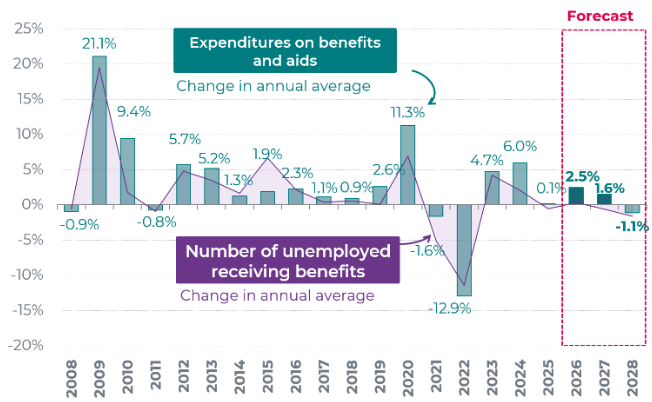
After remaining flat at €37.2 billion in 2025, spending on unemployment benefits and aids is projected to increase by approximately €1 billion in 2026 *(Charts 9A and 9B)*. The deterioration in economic conditions—particularly reflected in the acceleration of business failures—would outweigh the downward effects of regulatory changes. These effects would remain significant, driven both by the completion of the rollout of the 2023 reform and by the amplifying effects of the 2024 Unemployment insurance agreement.

The increase is expected to continue in 2027, reaching nearly €38.7 billion**, driven by wage inflation,** whose impact on compensation and benefit expenditures is always felt several months later *(Box 2)*. This further increase would, however, be limited by the modest economic recovery, as well as by the growing impact of the 2024 Unemployment insurance agreement.

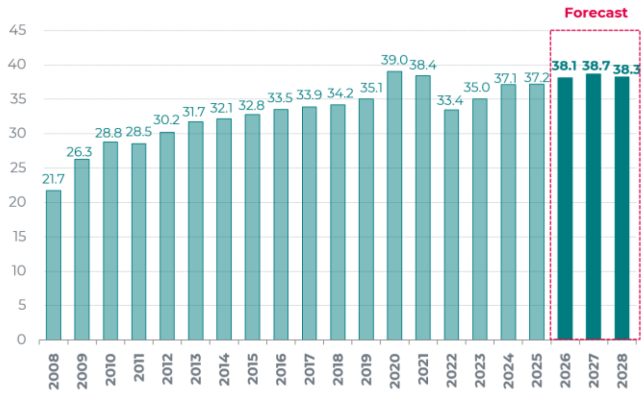
The effects of the 2024 agreement would be even more pronounced in 2028 and would be complemented by the initial effects of the February 2026 amendment to the Unemployment insurance agreement regarding the terms of compensation for individual voluntary terminations, as well as the continued economic recovery. **Expenditures on unemployment benefits and aids would then begin to decline, while remaining above €38 billion in 2028.**

CHART 9A AND 9B – UNEMPLOYMENT BENEFIT EXPENDITURE ON BENEFITS AND AIDS

A – ANNUAL CHANGE IN %



B – LEVEL, IN € BILLION

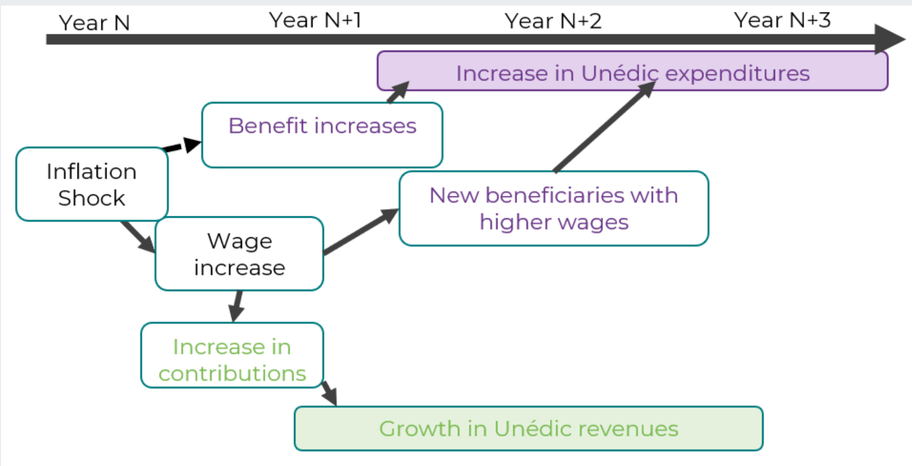


Sources: France Travail, Unédic, Unédic's June 2026 financial forecasts.
Scope: Entire France.

BOX 2: INFLATIONARY SHOCKS LIKELY TO INCREASE REVENUES BEFORE BOOSTING UNEMPLOYMENT INSURANCE EXPENDITURES

Regardless of the cause of an inflationary shock, it first leads to an increase in wages, starting with the minimum wage (i.e., SMIC), due to the automatic adjustment rules applied to it, thereby fueling growth in Unédic's revenue since it is based on the total wage bill*.
The impact on expenditures, however, occurs with a lag of several months or even several years. First, *through* a potential adjustment to benefit amounts, subject to a decision by the Unédic's Board of Directors. Then, through the arrival of new claimants in the Unemployment insurance system who become eligible for higher benefit amounts, since these are based on wages that have increased as a result of the inflationary shock.

CHART A: TRANSMISSION CHANNELS OF AN INFLATIONARY SHOCK ON UNEMPLOYMENT INSURANCE FINANCES



Source: Unédic

* This reasoning assumes that all other factors remain constant, i.e., excluding any deterioration in the labor market attributable to this type of shock.

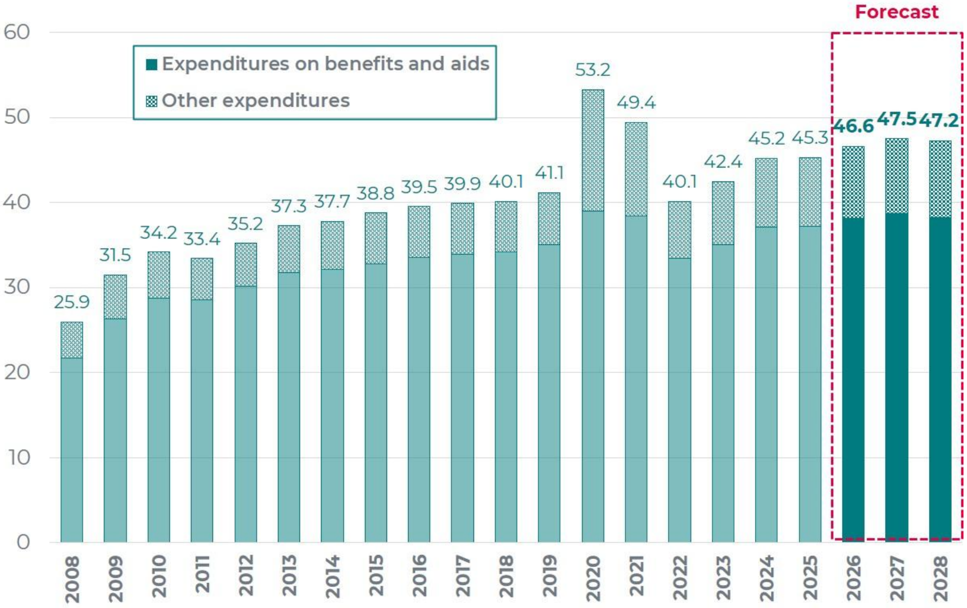
THE GROWING WEIGHT OF OTHER EXPENDITURES WOULD ALSO CONTRIBUTE TO THE INCREASE IN TOTAL EXPENDITURES

Unédic does not only fund unemployment benefits for job seekers: it also finances a significant portion of France Travail's operations, contributes to the supplemental pension points of benefit recipients, and provides nearly one-third of the funding for short-time work benefits paid to employers. A portion of the scheme's expenditures is also allocated to interest payments on loans taken out by Unédic *(see below)*.

Unédic's contribution to the funding of France Travail, amounting to 11% of Unemployment insurance contributions, is calculated based on revenues from the year N-2 before accounting for any offsets from general tax relief (or State levies). **Projections indicate that an increase in this revenue base will automatically result in higher funding allocated to France Travail**, whose share of total expenditures continues to grow. Relative to the revenue actually collected by Unédic, this contribution would represent 11.5% of revenue in 2025, then 11.6% in 2026, 11.8% in 2027, and 12.0% in 2028.

Like compensation expenditures, the scheme's total expenditures remained virtually flat in 2025 at €45.3 billion *(Chart 10)*. They would then increase in 2026 and 2027, but at a faster rate than expenditures on benefits and aids, reaching €47.5 billion in 2027. The decline in these expenditures in 2028 would be less pronounced than that of expenditures on benefits and aids, and they would stand at €47.2 billion by the end of the forecast period. This less pronounced decrease in total expenditures would stem from the increase in funding for France Travail and debt service, which fall under Unédic's "other expenditures" category: these would amount to €9.0 billion in 2028, compared to €8.0 billion in 2025.

CHART 10 – TOTAL EXPENDITURES, INCLUDING UNEMPLOYMENT BENEFITS AND AIDS, IN € BILLION



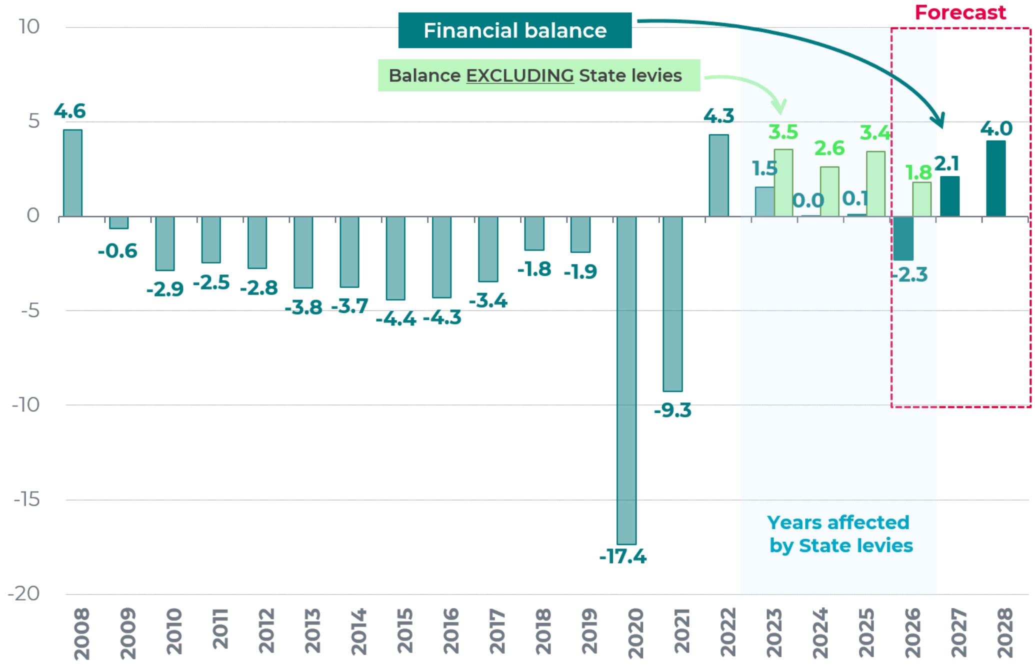
Source: Unédic, Unédic's June 2026 financial forecasts.
Scope: Entire France.

STATE DECISIONS JEOPARDIZE UNÉDIC'S FINANCIAL STABILITY

In 2025, despite a sluggish labor market and significant constraints on revenue, **the scheme's financial balance remained stable, close to equilibrium** *(Chart 11)*. Without State levies, the scheme's balance could have shown a surplus of +€3.4 billion.

In 2026, the financial balance is projected to deteriorate significantly and post a substantial deficit of -€2.3 billion for the first time since 2021: the scheme's revenues are expected to decline by nearly €1.0 billion, while total expenditures are projected to increase by nearly €1.3 billion. The forecast of a **positive financial balance of +€2.1 billion in 2027 and +€4.0 billion in 2028 is based on the assumption that there will be no State withdrawals starting in 2027**. However, these withdrawals would continue to weigh on the scheme's balance in those years through the resulting additional interest expenses *(see below)*.

CHART 11 – UNEMPLOYMENT INSURANCE FINANCIAL BALANCE, IN € BILLION

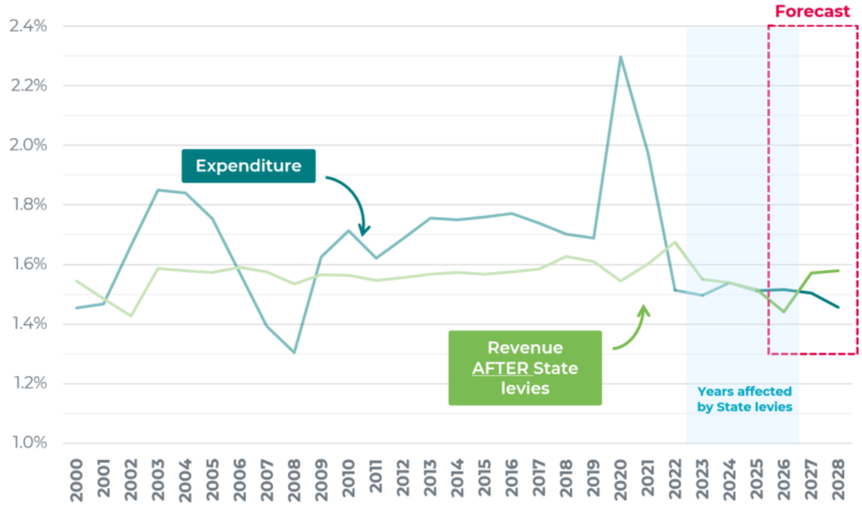


Source: Unédic, Unédic's June 2026 financial forecasts.
Note: The financial balances for 2027 and 2028 are estimated on the assumption that no State levies will be collected in those years.
Interpretation: In 2026, the projected balance is -€2.3 billion. Excluding State levies of €4.1 billion, the balance would be +€1.8 billion in 2026.

As a percentage of GDP, the scheme's revenues would reach a low of 1.4% of GDP in 2026. This decline in the share of Unédic's actual revenues relative to GDP is attributable to various regulatory measures implemented since 2023: less compensation for general reduction, changes to the tax base for the CSG (General Social Contribution) for the self-employed, and a 0.05-point reduction in the employer contribution effective May 2025. Starting in 2027, assuming no State levies, revenue would return to its historical average of 1.6% of GDP.

Expenditures, meanwhile, would remain around 1.5% of GDP until 2028. Thus, the share of Unemployment insurance in the economy would stabilize at a relatively low level starting in 2022 *(Chart 12)*.

CHART 12 – UNEMPLOYMENT INSURANCE EXPENDITURE AND REVENUES, INCLUDING STATE LEVIES, AS A % OF GDP



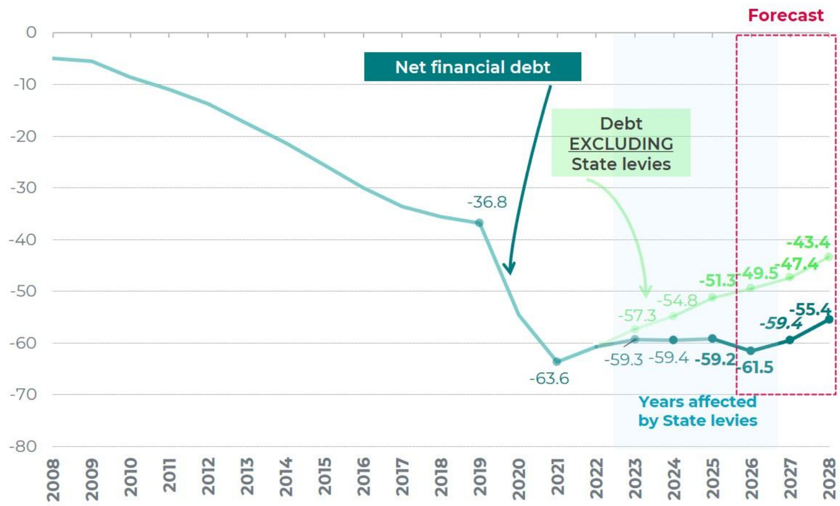
Source: Unédic, Unédic's June 2026 financial forecasts.
Note: Revenues for 2027 and 2028 are estimated on the assumption that no State levies will be collected in those years.

AFTER THREE YEARS OF STABILITY, THE SCHEME'S DEBT IS EXPECTED TO RISE AGAIN IN 2026

The Unemployment insurance system's debt peaked in 2021 at €63.6 billion. This was followed by two years of surpluses in 2022 and 2023, then two years of balanced budgets in 2024 and 2025, bringing the debt down to €59.2 billion by the end of 2025.

It is expected to rise again in 2026, driven by the deterioration in the budget balance, reaching €61.5 billion, before declining again in 2027 and 2028 to stand at €55.4 billion at the end of the forecast period (assuming no State levies in 2027 and 2028) *(Chart 13)*. Without State levies made between 2023 and 2026, the debt would have reached €43.4 billion by the end of 2028.

CHART 13 –UNEMPLOYMENT INSURANCE SCHEME DEBT, IN € BILLION



Source: Unédic, Unédic's June 2026 financial forecasts.
Note: The net financial debt for 2027 and 2028 is estimated based on the assumption that no State levies will be made in those years.

TABLE 4 – UNEDIC'S REVENUES AND EXPENDITURES FOR THE YEARS 2025 TO 2028, IN € BILLION

In billions of euros, as of December 31	**2025**	**2026** Forecast	**2027** Forecast	**2028** Forecast
Revenue	**45.4**	**44.3**	**49.6**	**51.2**
Unemployment insurance contributions	44.5	43.4	48.6	50.2
of which: Main contributions after government deductions	26.9	26.3	30.6	31.8
Main contributions	*30.2*	*30.4*	*30.6*	*31.8*
State levies	*-3.4*	*-4.1*		
of which General Social Contribution (CSG)	17.6	17.1	18.0	18.5
Other revenue	0.9	1.0	1.0	1.0
Expenditures	**45.3**	**46.6**	**47.5**	**47.2**
Gross unemployment benefits and aids*	37.2	38.1	*38.7*	*38.3*
Short-time work schemes	0.1	0.1	0.1	0.1
Pension funds	2.4	2.5	2.5	2.5
Other expenditures	5.6	6.0	6.2	6.4
of which France Travail funding**	5.0	5.2	5.3	5.2
of which net interest expenses	0.5	0.7	0.9	1.1
Financial balance	**0.1**	**-2.3**	**2.1**	**4.0**
Net financial debt* **	**-59.2**	**-61.5**	**-59.4**	**-55.4**

** Notably ARCE, CSP bonus*
*** Assuming that France Travail's funding remains at 11% of revenue from the year N-2 before government deductions.*
**** Net financial debt excluding France Travail's current account. Please note: The net financial debt shown in the table for the years up to 2025 corresponds to that shown in Unédic's financial report.*
Sources: Unédic, Unédic's June 2026 financial forecasts.
Note: Revenue, the financial balance, and net financial debt for 2027 and 2028 are estimated on the assumption that no State levies will be collected in those years.

INCREASING INTEREST EXPENSES

The management of the Unemployment insurance scheme is based on a countercyclical model, designed to mitigate the effects of economic fluctuations: borrowing during a downturn must be offset by debt reduction during a recovery. Since 2023, following the COVID-19 period, priority should therefore have been given to debt reduction in order to restore the system's full capacity to serve as an economic and social buffer, in anticipation of future economic downturns. The reduced revenue from tax exemptions (€12.05 billion between 2023 and 2026) deprived the system of the resources that should have contributed to its debt reduction and even led it to take on new debt: €14 billion in bond issues will be issued between 2025 and 2026 to cover both the shortfall in compensation, the associated interest burden, and the overfunding of France Travail resulting from these withdrawals.

In 2023 and 2024, the guarantees provided by the government on long-term bond issuances—limited to €1 billion for those two years—were insufficient to fully offset the decline in resources. Unédic was thus forced to cover the scheme's needs through increased reliance on short-term debt. This situation resulted in a significant increase in outstanding short-term debt—well above the target (€4 to 5 billion)—as well as higher interest expenses, against a backdrop of high interest rates linked to the European Central Bank's (ECB) restrictive monetary policy aimed at controlling inflation in the eurozone.

Since 2025, long-term bond issuances have no longer been intended solely to cover the scheme's structural needs—namely, financing deficits and refinancing maturing debt—but also to reduce a level of short-term debt deemed excessive. In 2026, Unédic expanded its bond issuance program to €10 billion, representing a historically high volume (excluding the COVID-19 crisis period).

This funding program is taking place against a backdrop of inflation driven by geopolitical tensions. To address this, the ECB raised its key interest rates by 25 basis points at its most recent monetary policy meeting, bringing the deposit rate to 2.25%, among other changes. This environment is driving up Unédic's financing costs and, consequently, interest expenses on the scheme's debt.

In total, Unédic's net interest expenses are projected to reach €0.7 billion in 2026, €0.9 billion in 2027, and exceed €1 billion in 2028. While these expenses accounted for less than 1% of revenue through 2022, their share is expected to grow significantly and should represent more than 2% of revenue in 2028.

TABLE 5 – UNÉDIC'S DEBT AMORTISATION PROGRAMME, IN € BILLION

	2025	2026	2027	2028
Financial balance (begore change in funding plan)	**0.1**	**-2.3**	**2.1**	**4.0**
Change in outstanding Medium/Long-Term debt	1.0	3.8	2.8	-4.0
New Medium/Long-Term debt issuances	*4.0*	*10.0*	*8.0*	*1.0*
Medium/Long-Term debt reimbursments	*3.0*	*6.3*	*5.3*	*5.0*
Change in outstanding Short-Term debt outstanding	-1.1	-1.4	-4.8	0.0
Change in cash	0.0	0.0	0.0	0.0
Change in net debt	-0.1	2.3	-2.1	-4.0
Net debt	*59.2*	*61.5*	*59.4*	*55.4*

Source: Unédic, Unédic's June 2026 financial forecasts.
Note: Revenue, the financial balance, and net financial debt for 2027 and 2028 are estimated based on the assumption that no State levies will be made in those years.

APPENDIX 1 – RECONCILIATION OF THE FINANCIAL BALANCE TO THE ACCOUNTING RESULT IN 2025

As of December 31, 2025, the scheme's financial balance stands at +€0.1 billion. The accounting result is -€0.02 billion in 2025.

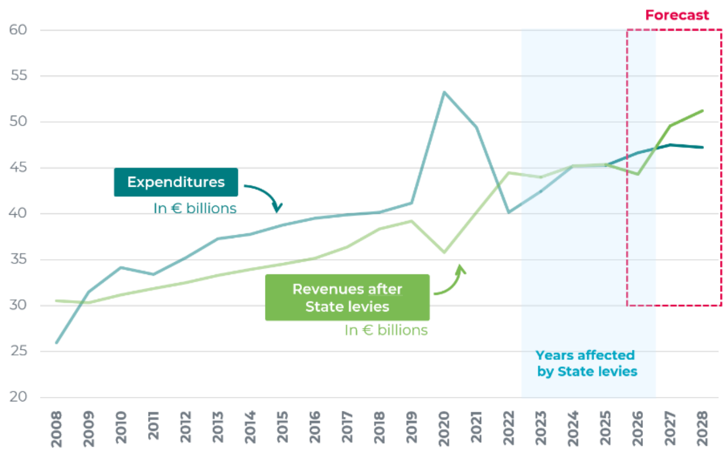
The transition from the financial balance to the accounting result is shown in *Table A* below.

TABLE A – FROM FINANCIAL BALANCE TO ACCOUNTING RESULT IN 2025, IN € BILLION

Financial Balance 2025	**+0.1**
Difference in timing of recognition (revenues and expenses) between accounting and cash flows	+0.09
Requirement related to the business cycle	+0.03
Non-cash transaction (change in technical reserves)	-0.24
Accounting income for 2025	-0.02

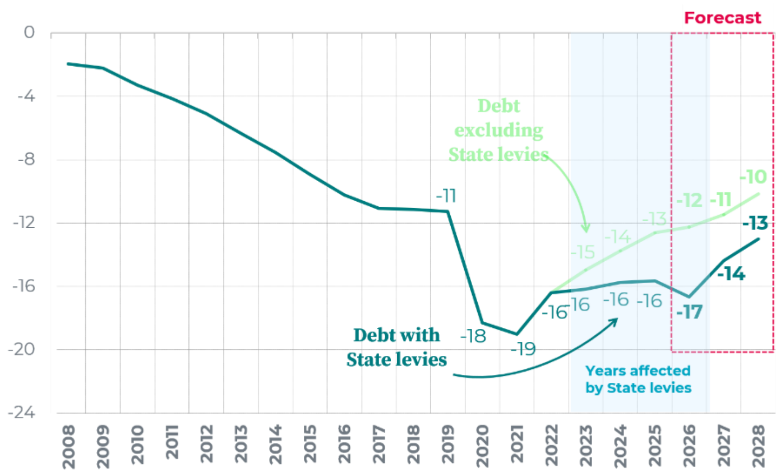
Source: Unédic

APPENDIX 2 - UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES, INCLUDING STATE CONTRIBUTIONS, IN € BILLION



Source: Unédic, Unédic's June 2026 financial forecasts.
Note: Revenues for 2027 and 2028 are estimated based on the assumption that no State levies will be collected in those years.

APPENDIX 3 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN MONTHS OF REVENUE



Source: Unédic, Unédic's June 2026 financial forecasts.
Note: The net financial debt for 2027 and 2028 is estimated on the assumption that no State levies will be collected in those years.

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE BY 2028

17 June 2026

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