Financial Forecasts

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE BY 2028

21 October 2026

SYNTHESIS

The finances of the unemployment insurance system are facing an unfavourable macroeconomic environment, against a backdrop of high interest rates that are driving up the cost of its debt. State levies on Unédic's revenues have brought its debt reduction to a halt.

In an environment marked by international instability and pressure on French debt, the Unemployment insurance system is exposed to headwinds from the global economy. French growth is projected to slow in 2026 (+0.4%), and the outlook for 2027 (+0.7%) remains fragile, contingent on a hypothetical decline in energy prices in the near future. Driven by conflicts in the Middle East and Ukraine, inflation has begun to rise again in 2026 and is projected to reach +2.2% for the year.

Employment is expected to continue deteriorating, with job losses in 2026 (-71,000) and 2027 (-60,000). A genuine recovery in salaried employment is not expected until 2028 (+92,000). Unédic anticipates a rise in the unemployment rate, which is projected to reach 8.6% in 2026 and 8.8% in 2027 and 2028. Nevertheless, the number of unemployed people receiving benefits is expected to remain stable, at around 2.6 million, through 2028. This stability is due to regulatory changes affecting eligibility for benefits (the 2023 reform, followed by the 2024 unemployment insurance agreement and the 2026 amendment regarding contractual termination), which mitigate the cyclical effects of the deterioration in the job market.

In 2026, compensation expenditures are expected to be driven by increases in benefit payments, with a delayed inflationary effect in 2027 and 2028. Unédic's total expenditure would increase from €46.6 billion in 2026 to €48.5 billion in 2028. This increase would be driven by a significant rise in other expenditures (excluding benefits and aids) of €1 billion between the end of 2025 and 2028. This other spending includes, in particular, Unédic's contribution to the France Travail budget (€5.2 billion in 2026), which is equivalent to 11% of Unédic's revenue in year n-2 before State levies. Taking these levies into account, funding for France Travail actually represents 11.6% of the actual revenue in 2026 collected in 2024. In 2028, it would amount to 12%.

Unédic's revenue has been constrained since 2023 due to State levies. In 2026, the increase in these levies, combined with the implementation of the CSG reform for self-employed workers, will even lead to a decline in revenue of more than €1 billion, to €44.3 billion. Revenues for 2027 and 2028, calculated assuming no new levies, would rebound significantly, supported in part by growth in the total payroll.

The financial stability of Unemployment insurance remains under threat. In 2026, the balance would deteriorate significantly (–€2.3 billion), whereas it would have been clearly positive excluding State levies (+€1.8 billion). Assuming no State levies, the balance would stand at +€1.4 billion in 2027 and +€2.4 billion in 2028.

Unédic

Under these circumstances, Unédic's debt would continue to grow in 2026, reaching -€61.5 billion, before declining in 2027 (-€60.1 billion) and 2028 (-€57.7 billion). Without the levies imposed between 2023 and 2026, the debt would have stood at -€45.7 billion at the end of 2028—and even at -€44.2 billion if we exclude the new interest expenses (€1.5 billion) generated by the debt issued to finance these levies. It should be noted that this situation forces Unédic to borrow on the markets amid historically high interest rates, both to refinance low-cost COVID-related debt and to cover the deficits caused by State levies since 2023 and the associated interest expenses.

Notes:

Unédic uses the "Economists' Consensus" forecasts—the average of forecasts from some twenty institutes and banks, published monthly—as its growth and inflation assumptions. This forecast is based on the October 2026 "Economists' Consensus" publication.

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 contractual termination as part of the negotiations on the unemployment insurance system.

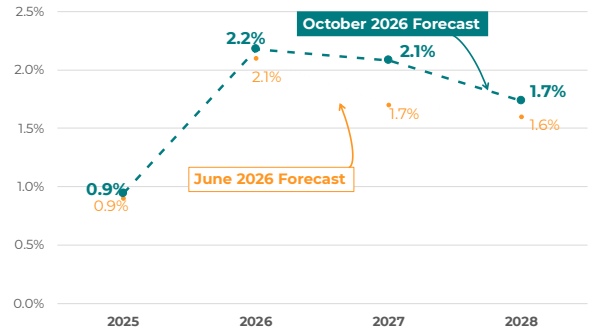
Since the 2027 Finance Bill (PLF) and the Social Security Bill (PLFSS) have not been adopted, the measures they contain that could affect the unemployment insurance system are not included in this forecast. The adoption and implementation of these bills represent a significant uncertainty regarding the economic context and growth momentum for the year 2027.

1. MACROECONOMIC SITUATION: THE ECONOMIC DOWNTURN TAKES HOLD

INFLATION IS FOLLOWING THE SURGE IN OIL PRICES AND, CONSEQUENTLY, THE EVOLUTION OF THE CONFLICT IN THE MIDDLE EAST

Having fallen to +0.9% in 2025, inflation has already rebounded sharply in direct response to the war between Iran and the United States and recently reached +3.1% in September (year-over-year). It is projected to stabilize at average +2.2% in 2026. This forecast, based on the October Economists' Consensus, is based on an average projected price of $93.50 per barrel of oil in January 2027, falling to $80.90 a year later, whereas it exceeded $100 in mid-September. Inflation would, however, remain relatively high in 2027 (an annual average of +2.1%), driven in particular by the delayed effects of the energy price increases observed in 2026 on other consumer spending categories (food, manufactured goods, and services). It would not be until 2028 that inflation would fall back below the 2% threshold *(Chart 1 and Table 1)*.

CHART 1 – INFLATION ASSUMPTIONS (CONSUMER PRICE INDEX)



Sources: Insee for observed data, October Economists' Consensus, Unédic's October 2026 financial forecasts.

TABLE 1 – COMPARISON OF DIFFERENT SOURCES OF INFLATION FORECASTS

Inflation (CPI)	2025	2026	2027	2028
Unédic (October 2026 Consensus)	**0.9%**	**2.2%**	**2.1%**	**1.7%**
Government (PLF 2027 ; Oct. 2026)	0.9%	2.2%	1.9%	
OFCE (Oct. 2026)	0.9%			
Insee (Oct. 2026)	0.9%	2.1%		
Unédic forecast of June 2026	*0.9%*	*2.1%*	*1.7%*	*1.6%*

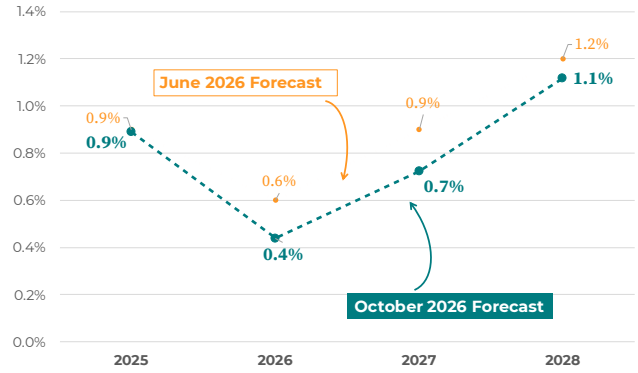
Sources: Economists' Consensus, 2027 Finance Bill (government), French Economic Outlook 2026–2027 (IFE–OFCE), Insee's September Economic Report; Unédic's October 2026 financial forecasts.

DISAPPOINTING ECONOMIC ACTIVITY IN 2026 AND A FRAGILE OUTLOOK FOR RECOVERY IN 2027

In June, the Economists' Consensus (used for the Unédic forecast) was already projecting sluggish GDP growth of +0.6% **in 2026**, following +0.9% in 2025 (annual average). It is expected to turn out even more disappointing, at just **+0.4%, according to the October Consensus**. This slowdown primarily reflects the poor performance in the first half of the year, driven by a downturn in public sector activity linked to the March municipal elections, repeated heat waves between May and August that particularly affected the construction and agriculture sectors, reduced fiscal support for the economy, and, of course, a spike in inflation against the backdrop of conflicts in the Middle East on the one hand and in Ukraine on the other.

Some of these headwinds, however, are expected to gradually subside, allowing GDP to regain some momentum and reach **+0.7% in 2027** and +1.1% in 2028 *(Chart 2 and Table 2)*. **The forecast for 2027 remains fragile, however, as it is based on the assumption of falling energy prices** (oil and gas), despite the fact that French economic activity is less sensitive to hydrocarbon prices than that of most of our European neighbours. The French economy is, however, sensitive to tighter credit conditions resulting from the European Central Bank's (ECB) increase in its key interest rates to curb inflation, as well as from the recent and rapid rise in long-term sovereign bond yields. These tighter financial conditions are likely to affect borrowing rates for businesses and households in France and, consequently, have a negative impact on their investment decisions.

CHART 2 – GDP GROWTH ASSUMPTIONS



Sources: Insee for actual data; October Economists' Consensus; Unédic's October 2026 financial forecasts.

TABLE 2 – COMPARISON OF DIFFERENT SOURCES OF GDP FORECASTS

GDP growth in volume	2025	2026	2027	2028
Unédic (October 2026 Consensus)	**0.9%**	**0.4%**	**0.7%**	**1.1%**
Government (PLF 2027 ; Oct. 2026)	0.9%	0.5%	1.0%	
OFCE (Oct. 2026)	0.9%	0.4%	0.5%	
Banque de France (Sep. 2026)	0.9%	0.4%	0.9%	1.2%
Insee (Sep. 2026)	0.9%	0.4%		
Unédic forecast of June 2026	*0.9%*	*0.6%*	*0.9%*	*1.2%*

Sources: Economists' Consensus, 2027 Finance Bill (government), French Economic Outlook 2026–2027 (IFE–OFCE*), September Macroeconomic Projections (Bank of France), September Economic Report (Insee); Unédic's October 2026 financial forecasts.*

EMPLOYMENT: PROSPECTS FOR RECOVERY PUSHED BACK ONCE AGAIN… TO 2028

After remaining stable in 2024, salaried employment in private sector lost 62,000 jobs in 2025 (year-over-year). The trend continues, with 32,000 jobs already lost in the thirst and second quarters of 2026 (cumulatively compared to the end-2025 level), in line with Unédic's June 2026 forecast. Short-term employment indicators (business and employment climate, temporary work, hiring pressures) are stagnating or declining. This, combined with economic activity *that is expected* to remain sluggish through the end of the year, suggests further job losses in third and fourth quarters of 2026. **The number of private-sector salaried employees is thus projected to decline by a net 71,000 jobs in 2026.**

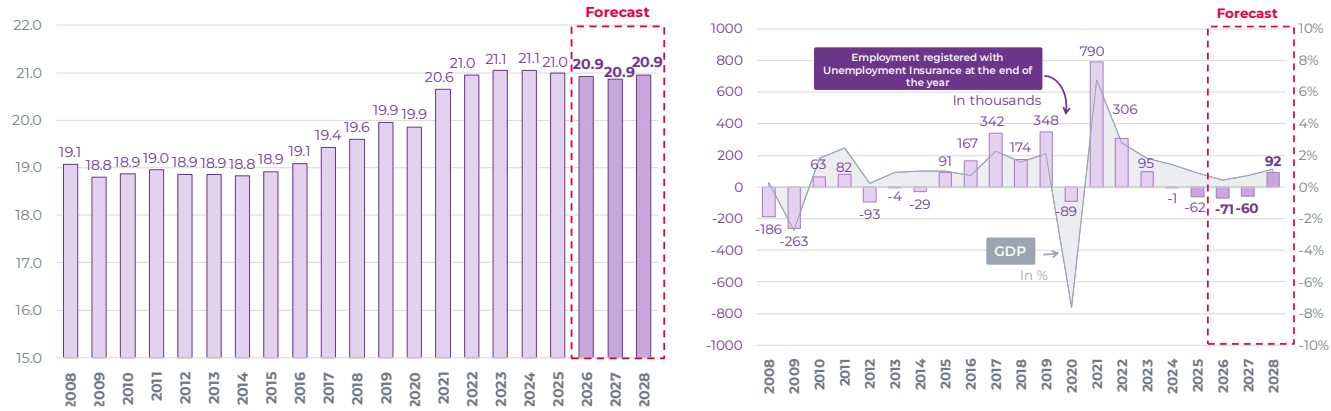
The decline is evident in each of the major economic sectors, with varying degrees of impact depending on the initial workforce size in each sector. Between the first quarter of 2025 and the second quarter of 2026 inclusive, the workforce thus declined by 28,000 private-sector jobs in manufacturing and by 32,000 private-sector jobs in construction—comparable decreases. However, this represents a 0.9% decline in the manufacturing workforce compared to a 2.1% decline in construction.

At the same time, only employment among those aged 55 and older held steady, with 147,000 more people employed in mid-2026 than at the end of 2024, largely due to the 2023 pension reform. Conversely, employment among those aged 30–54 fell by nearly 150,000 jobs, and among those aged 15–29 by 92,000 jobs. The latter group is suffering in particular from the decline in apprenticeships, with a cumulative loss of approximately 50,000 work-study positions in 2025 and the first half of 2026. New apprenticeship enrolments peaked at nearly 900,000 in 2024 before beginning a downturn in 2025, which appears to be continuing in 2026 and is even expected to extend into 2027, driven by cuts to business subsidies.

In 2027, the labour market is expected to operate against a backdrop of very tight fiscal conditions, the suspension of pension reform, and continued sluggish economic activity. This would result in another year of job losses, amounting to **a net decrease of 60,000 jobs** (year-over-year). A genuine recovery in private-sector salaried employment is not expected to materialize until 2028 *(Chart 3A and 3B).*

CHART 3A AND 3B – CHANGE AND LEVEL OF EMPLOYMENT COVERED BY UNEMPLOYMENT INSURANCE

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



Sources: GDP: Insee, Economists' Consensus, employment covered by Unemployment Insurance; Unédic's October 2026 financial forecasts based on salaried employment data jointly produced by Insee, Urssaf Caisse nationale, and DARES.
Scope: Employment registered with Unemployment insurance. France excluding Mayotte. Seasonally adjusted data (CVS).

UNEMPLOYMENT: DIVERGENCE IN TRENDS BETWEEN ILO UNEMPLOYMENT AND UNEMPLOYMENT RECEIVING BENEFITS

The ILO unemployment rate stabilized at 7.4% in 2024, then rose steadily in 2025 and during the first half of 2026, reaching 8.3%[1] by mid-2026. This trend is consistent with the deterioration of the labour market on the one hand and the increase in the labour force on the other. Insee estimates that nearly half of the increase in the ILO unemployment rate since late 2024 is attributable to the effects of the Full Employment Act, including the automatic registration of RSA recipients with France Travail and potential changes in responses to the Labor Force Survey, which measures the unemployment rate[2] . This type of effect is expected to continue through 2028 throughout the law's ramp-up period (processing of all automatic registration files carried over to early 2025, handled by the departmental operator or councils, etc.).

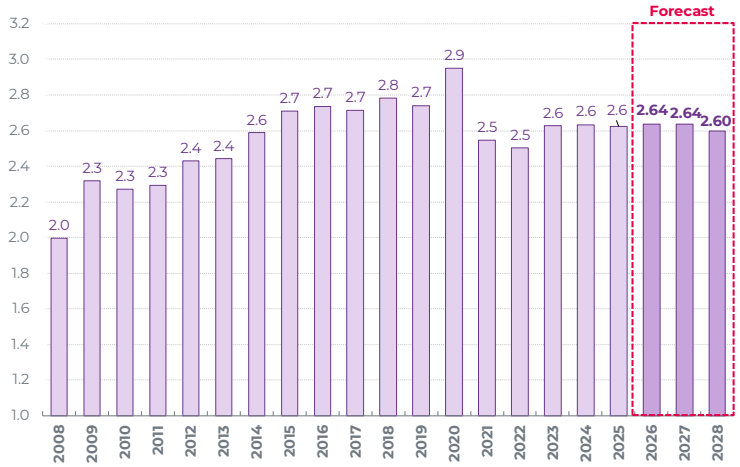
Furthermore, the growth of the labour force was stronger than expected between 2022 and 2025[3] ; this demographic trend is projected to push the unemployment rate upward. **The combination of a more sustained increase in the labour force and a decline in employment would lead to a significant rise in the unemployment rate to 8.6% by the end of 2026. In 2027**, despite a still-deteriorating employment outlook, the suspension of the pension reform would mitigate **the rise in unemployment, which would stand at 8.8%** by the end of the year and remain at that level for the remainder of our forecast period.

As a result, the number of ILO-defined unemployed rose by nearly 350,000 between late 2024 and mid-2026, while the number of people receiving unemployment benefits remained stable at around 2.6 million *(Chart 4)*. This discrepancy between the ILO unemployment figures and the number of people receiving unemployment insurance benefits is primarily due to regulatory changes affecting eligibility requirements: the cyclical effects of the deterioration in the labour market were mitigated by the effects of the 2023 reform, which has nearly completed its full implementation, as well as by the initial effects of the 2024 Agreement. **The number of unemployed people receiving benefits is expected to remain virtually stable again in 2026, with only a slight increase of about 12,000 people by the end of the year** (year-over-year).

Starting in 2027, the 2023 reform is expected to reach full speed, so that the decline in the number of people receiving benefits in 2028 would be primarily attributable to the 2024 Unemployment Insurance Agreement and the 2026 amendment on contractual termination *(Box 1)*, as well as to the expected improvement in the labour market.

[1] Since the second quarter of 2026, the ILO unemployment rate—now highlighted by Insee—has been extended to include Mayotte, which results in an upward adjustment of approximately +0.06 percentage points compared to the series excluding Mayotte, which the Institute continues to publish.
[2] Insee, Quick Facts No. 192, August 2026
[3] Insee, Economic Report, Insight: "Between 2022 and 2025, a more dynamic labor force than anticipated in 2022," June 2026.

CHART 4 – NUMBER OF UNEMPLOYED RECIPIENTS OF UNEMPLOYMENT INSURANCE BENEFITS (YEAR-END LEVEL), IN MILLIONS



Sources: France Travail, Unédic financial forecasts from October 2026.
Scope: Unemployment receiving benefits under the ARE, AREF, ASP, and ATI programs. Entire France. Seasonally adjusted data (CVS).

SLOWDOWN IN TOTAL PAYROLL, DRIVEN IN PARTICULAR BY A NEGATIVE CONTRIBUTION FROM EMPLOYMENT

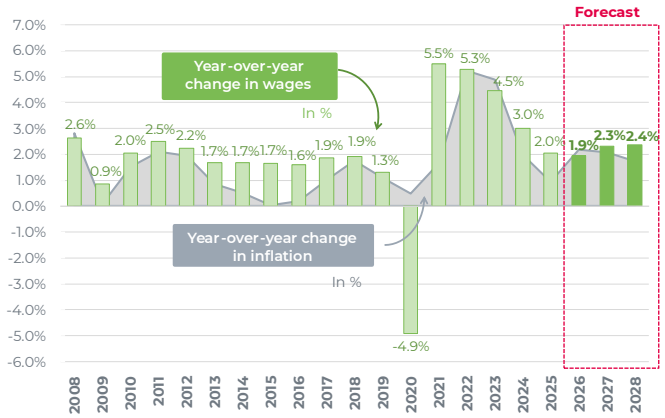
The total payroll projected by Unédic in its macroeconomic and financial forecast corresponds to the total payroll subject to social security contributions. The forecast for average wage per capita (AWPC) is therefore also based on the portion of compensation subject to contributions.

In 2025, nominal wages continued to lose momentum in line with the slowdown in inflation *(Chart 5A)*. 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 should no longer be the case in 2026, as wage growth (+1.9% after +2.0%, year-over-year in 2025) **is expected to be lower than price growth** (+2.2% in 2026 after +0.9% in 2025), despite a 2.4% increase in the minimum wage effective the thirst June 2026 as a result of the rebound in inflation. This upward pressure is expected to be reinforced by mandatory annual wage negotiations, though with a delay, as they will take place in late 2026 or early 2027. Their impact, however, could be limited by rising unemployment, which is likely to reduce workers' bargaining power. Ultimately, **wages are expected to rise by 2.3% in 2027. They would maintain a similar pace in 2028** without the support of inflation but with the support of productivity gains and the expected improvement in employment *(Chart 5A)*.

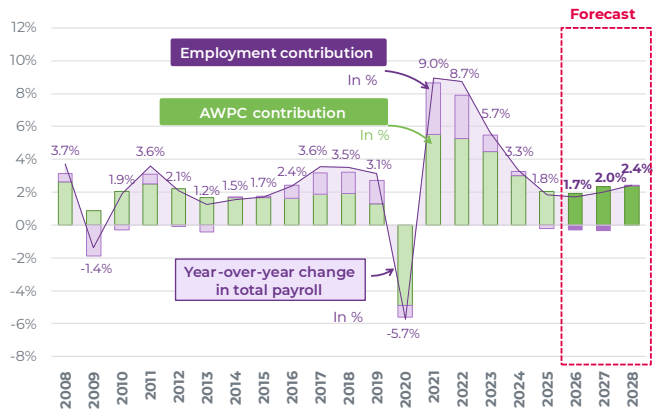
Wages are projected to be the main driver of total payroll. They would even be the sole driver in 2026 and 2027 due to the negative contribution from employment in those two years. As a result, total payroll growth would be less than 2.0% in 2026 and 2027 *(Chart 5B)*. It would not be until 2028, when employment once again makes a positive contribution to total payroll, that total payroll would regain some momentum *(Table 3)*.

CHART 5A – CHANGES IN THE AVERAGE WAGE PER CAPITA (AWPC) SUBJECT TO CONTRIBUTIONS



Sources: Urssaf National Fund, Insee, Economists' Consensus, Unédic's October 2026 financial forecasts.

CHART 5B – CHANGE IN TOTAL PAYROLL BASE SUBJECT TO CONTRIBUTIONS



Sources: Urssaf National Fund (AWPC and total payroll), Insee (employment), Unédic's October 2026 financial forecasts.
Scope: payroll subject to social security contributions in the competitive sector.

TABLE 3 – SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2024	2025	2026 Forecast	2027 Forecast	2028 Forecast
Growth, Prices and Wages					
GDP	**+1.4%**	**+0.9%**	**+0.4%**	**+0.7%**	**+1.1%**
CPI inflation	+2.0%	+0.9%	+2.2%	+2.1%	+1.7%
Average wage per capita (AWPC) in competitive sector	+3.0%	+2.0%	+1.9%	+2.3%	+2.4%
Employment and payroll					
Employment registered with Unemployment Insurance					
Average annual percentage change	**+0.2%**	**-0.2%**	**-0.3%**	**-0.3%**	**+0.1%**
Average annual level	21,066,000	21,023,000	20,957,000	20,884,000	20,898,000
Level at the end of the year	21,050,000	20,989,000	20,918,000	20,858,000	20,950,000
Year-on-year at year-end	-1,000	-62,000	-71,000	-60,000	+92,000
Payroll in the competitive sector	**+3.3%**	**+1.8%**	**+1.7%**	**+2.0%**	**+2.4%**
Unemployment					
Unemployed receiving Unemployment Insurance benefit (ARE, AREF, ASP, AREP, ATI)					
Average annual percentage change	**+2.0%**	**-0.6%**	**+0.3%**	**+0.3%**	**-1.1%**
Average annual level	2,638,000	2,624,000	2,631,000	2,640,000	2,611,000
Level at the end of the year	2,634,000	2,626,000	2,638,000	2,638,000	2,597,000
Year-on-year at year-end	+7,000	-8,000	+12,000	+0,000	-41,000
ILO unemployment rate (including Mayotte; end of the year)	**7.4%**	**8.0%**	**8.6%**	**8.8%**	**8.8%**
ILO unemployment rate* (excluding Mayotte; end of the year)	7.3%	7.9%	8.6%	8.7%	8.8%

** The ILO unemployment rate excluding Mayotte serves as the benchmark for determining the state of the economy and, consequently, the duration of benefits under the 2023 Unemployment insurance reform. It is estimated based on the unemployment rate for all of France, reduced by the difference attributed to Mayotte as reported by Insee: "Quick Facts No. 192," August 2026*
Sources: Economists' Consensus, Insee, URSSAF, France Travail, Unédic's October 2026 financial forecasts.
Scope: France excluding Mayotte, seasonally adjusted data for insured employment; all of France, seasonally adjusted data for unemployed individuals receiving benefits.

BOX 1: EXPECTED IMPACTS OF THE REDUCTION IN THE DURATION OF BENEFITS FOLLOWING A CONTRACTUAL TERMINATION

On September[1], 2026, new compensation rules took effect for **beneficiaries who become eligible following an individual contractual termination (RCI)**; these rules provide for:

- a cap on the maximum benefit period at 15 months for those under 55 and 20.5 months for those 55 and older in metropolitan France (and 20 and 30 months in the DROM-COM regions excluding Mayotte, depending on age),
- the possibility of extending this duration, under certain conditions, for beneficiaries aged 55 or older following a review by France Travail, hereinafter referred to as the "senior extension" (up to 6.5 months depending on the beneficiary's age).

The beneficiaries most affected by this reduction in benefits are those who have lost a long-term contract and use up a significant portion of their benefits. They account for nearly half of all individuals who become eligible for benefits following a contractual termination. The financial impact of these measures will vary depending on the proportion of beneficiaries aged 55 or older who qualify for a "senior extension" (see "Reduction in the Duration of Entitlement *Following* a Contractual Termination Agreement (2026 Amendment), *Ex Ante* Impact Study," Unédic, October 2026).

TABLE A: ESTIMATE OF THE FINANCIAL EFFECTS OF THE RCI AMENDMENT AND THE RAMP-UP, *EXCLUDING THE EFFECTS OF BEHAVIOR OTHER THAN THE USE OF EXTENSIONS*

Assumption	2026 (effective September[1])	2027	2028	2029	Steady state
Assumption of no extension for seniors → upper bound (maximum impact)	< 5 M€	-50 M€	-500 M€	-830 M€	**-900 M€**
Assumption of full use of the senior extension → lower bound (minimal impact)	< 5 M€	-50 M€	-450 M€	-670 M€	**-730 M€**

Source: Unédic, TELEMAC, Unédic's October 2026 financial forecasts.
Scope: Unemployment insurance beneficiaries, all of France excluding Mayotte, excluding intermittent workers in the entertainment industry

In this forecast, to avoid overestimating the system's financial situation, we assume a generalized extension of the **retirement** age **(lower-bound scenario),** which generates fewer savings than the scenario with no extension or an intermediate scenario between these upper- and lower-bound assumptions. In any case, since the rule change took effect on September 1, 2026, it would not truly begin to take effect until 2027 and would reach full speed after 5 years *(Table A)*. By that time, the number of beneficiaries receiving benefits would be, on average, 35,000 fewer per month compared to a scenario with no rule change.

2. FINANCIAL SITUATION: THE SYSTEM IS STRUGGLING TO REDUCE ITS DEBT

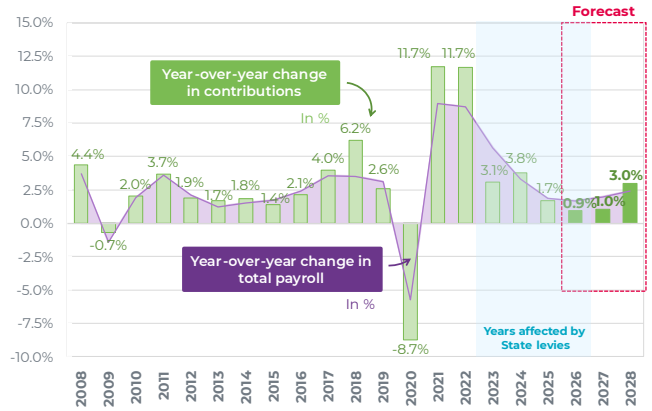
A REVENUE BOUNCE-BACK IS EXPECTED IN 2027 AND 2028

Since 2023, even minor adjustments to general tax relief measures have significantly reduced Unédic's revenue growth. In addition to this loss in contributions, the CSG amounts allocated to the system have been negatively impacted by the change in the contribution base for self-employed workers, effective since 1 January 2025, with **an estimated loss of approximately 800 M€ in 2026—due to a "double" effect that year resulting from the specific income reporting procedures for the self-employed—and then 400 M€ each year starting in 2027. In the absence of these State levies and changes to the CSG, the system's revenues would have increased in line with the growth in the total payroll**, even taking into account the reduction in unemployment insurance contributions effective since mid-2025 *(Chart 6A and 6B).*

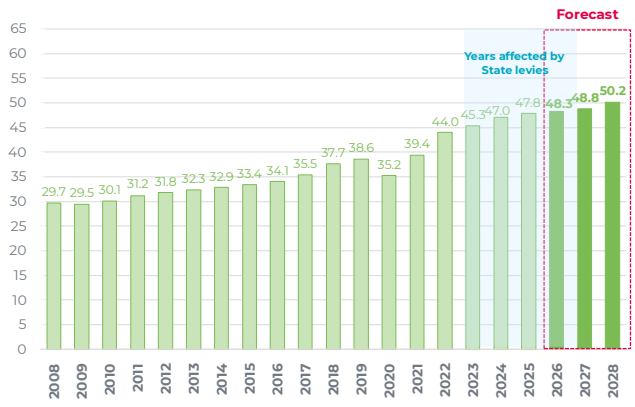
In 2026, however, the system's revenues show a significant decline of nearly €1 billion due to the external factors described above, despite the increase in the total payroll. After this trough in 2026, revenues would return to their macroeconomic fundamentals in 2027 and 2028, barring any new external factors (such as reduced compensation for general tax reliefs, the tax bases for the CSG Activity, etc.), and their growth would be closely tied to the increase in the total payroll *(Chart 7)*.

CHART 6A AND 6B – ESTIMATE OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS EXCLUDING STATE LEVIES AND EXCLUDING CSG LOSSES

A – YEAR-OVER-YEAR CHANGE, IN %

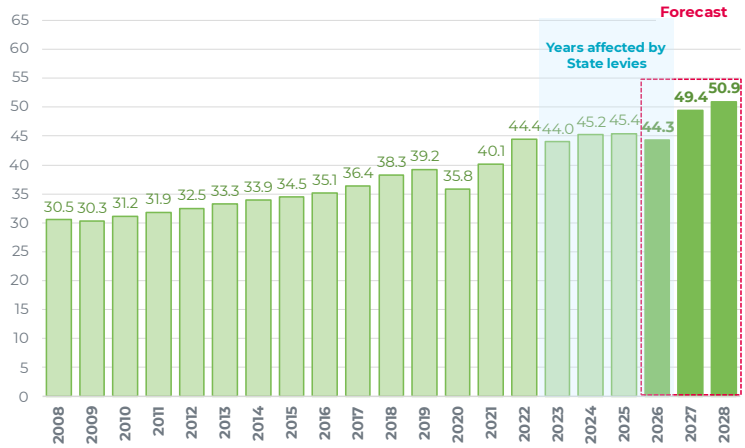


B – LEVEL, IN € BILLION



Sources: Urssaf National Fund, Unédic, Unédic's October 2026 financial forecasts
Scope: payroll subject to social security contributions in the competitive sector.
Note: Revenue for 2027 and 2028 is estimated based on the assumption that no State levies will be collected during those two years.

CHART 7 – TOTAL UNEMPLOYMENT INSURANCE REVENUES, INCLUDING STATE LEVIES AND CSG LOSSES, IN € BILLION



Source: Unédic, Unédic's October 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.

COMPENSATION EXPENDITURES ARE PROJECTED TO RISE AGAIN IN 2026 AND 2027

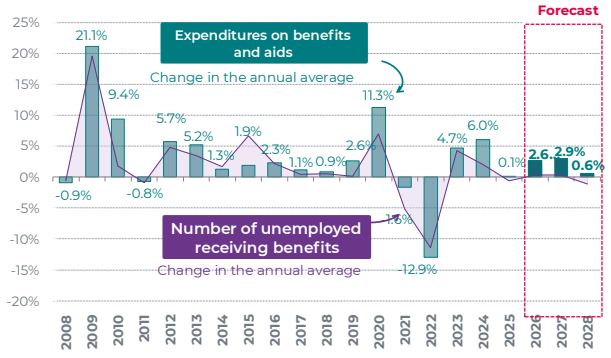
After remaining slightly above €37.0 billion in 2024 and 2025, **spending on benefits and aids is projected to increase by approximately €1 billion in 2026—**despite the absence of a benefit adjustment last July[4] **—and by an additional €1 billion in 2027**. It would thus reach €39.2 billion by the end of 2027 and stabilize around that level over the remainder of the forecast period *(Chart 8A and 8B)*.

Given the anticipated stabilization in the number of people receiving benefits, this increase in expenditure would result primarily from rising benefit payments, with a relatively sharp increase in 2027 due to the lagged effects of inflation and wage growth, which would boost benefits when eligibility arises in the future. In 2026 and 2027, these inflationary effects on **expenditures are expected to be partially offset by the downward effects of the 2023 reform, which would be fully implemented by then, as well as by the effects of the 2024 unemployment insurance agreement**. The downward effects of the latter would be followed by the effects of the 2026 amendment starting in 2027, and more markedly starting in 2028 *(Box 1)*.

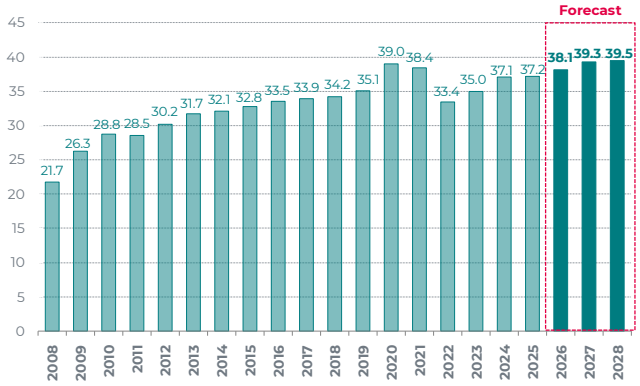
CSP expenditure would contribute significantly to the rise in compensation expenditure. Already on the rise in 2025, their growth rate is expected to accelerate in 2026 and 2027 in line with the increase in business failures.

CHART 8A AND 8B – UNEMPLOYMENT BENEFIT EXPENDITURE ON BENEFITS AND AID

A – YEAR-OVER-YEAR CHANGE, IN %



B – LEVEL, IN € BILLION



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

[4] For forecasting purposes, a 0.6% revaluation (historical average) is applied as of July 1, 2027, and July 1, 2028.

EXPENSES RELATED TO UNEMPLOYMENT BENEFITS ARE RISING SHARPLY

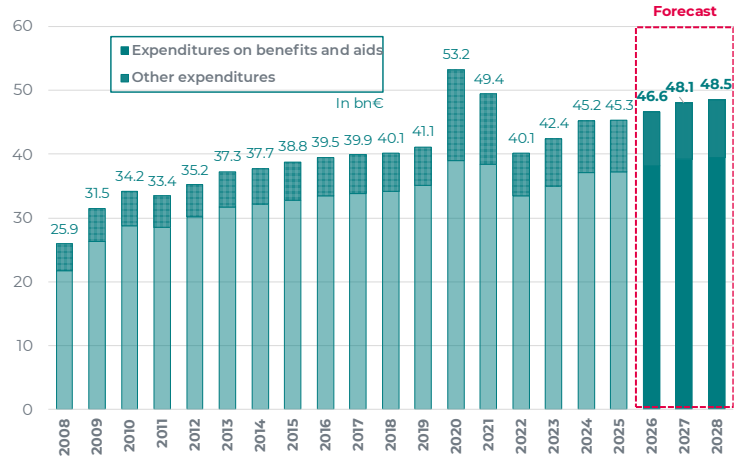
Unédic not only funds unemployment benefits for job seekers; it also contributes significantly to the operations of France Travail, funds supplemental retirement centres for benefit recipients, and provides nearly one-third of the funding for partial-time work benefits paid to employers. A portion of the program's expenditures is also allocated to interest expenses related to 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 revenue from year N-2 before accounting for any offsets from general tax relief (or State levies). **According to forecast, the increase in this revenue base automatically results in an annual increase in funding for France Travail**, with the exception of 2028, since revenues—before accounting for offsets from general tax relief—are expected to decline in 2026. As a percentage of the revenue actually collected by Unédic, this contribution exceeds 11 percent: it would represent 11.6 percent of revenue collected in 2026, 11.8 percent in 2027, and up to 12.0 percent in 2028.

The slight decline in the contribution to the funding fund France Travail in 2028 would be more than offset by the increase in interest expense, which is expected to more than double between 2025 and 2028 (*see below*), accounting for more than 12% of non-compensation expenditures in 2028, compared with less than 7% in 2025.

Like compensation expenditures, the program's total expenditures are projected to increase by €1.4 billion in 2026, including nearly €0.4 billion in non-compensation expenditures *(Chart 9)*. A further increase is expected in 2027, followed by relative stability in 2028.

CHART 9 – TOTAL EXPENDITURE, INCLUDING UNEMPLOYMENT BENEFITS AND AIDS, IN € BILLION

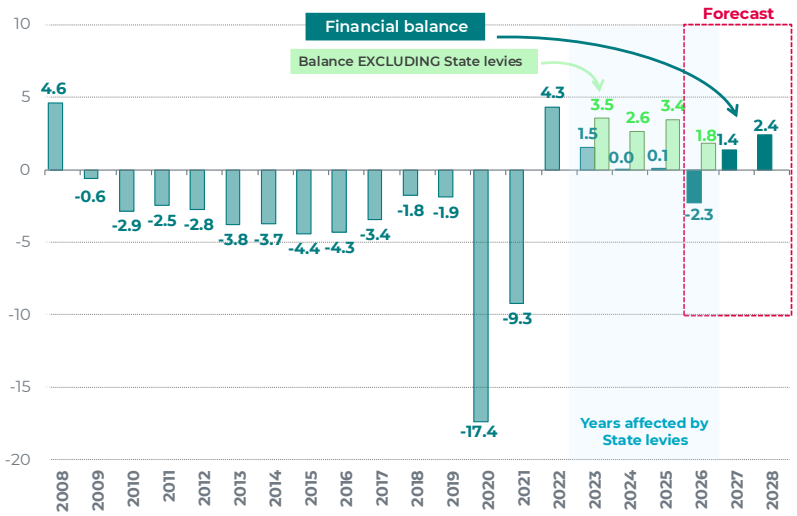


Source: Unédic, Unédic's October 2026 financial forecasts.
Scope: All of France.

RETURN TO A POSITIVE BALANCE IN 2027 ASSUMING NO STATE LEVY

In 2026, the financial balance shrinks significantly and turns negative for the first time since 2021, reaching -€2.3 billion: the plan's revenues contract by nearly €1.0 billion, while total expenditures increase by nearly €1.4 billion *(Chart 10)*. **The financial balance is expected to improve in 2027 and would be positive at +€1.4 billion due to the automatic effect of the expected rebound in revenues to +€5.1 billion**. This improvement in the program's financial situation is projected to continue in 2028, with another positive financial balance of +€2.4 billion. State levies made from 2023 to 2026 would continue to weigh on the program's balance during those years through the resulting additional interest expenses *(see below)*.

CHART 10 – FINANCIAL BALANCE OF UNEMPLOYMENT INSURANCE, IN € BILLION

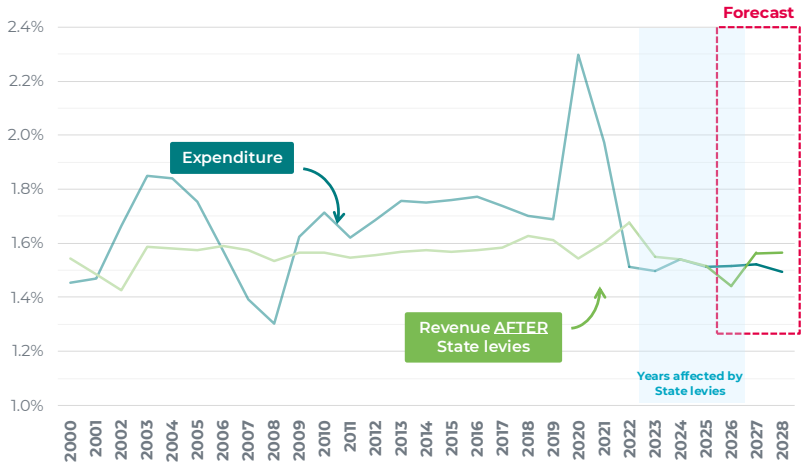


Source: Unédic, Unédic's October 2026 financial forecasts.
Note: The financial balances for 2027 and 2028 are estimated on the assumption that no State levies will be collected in those years.
Interpretation: In 2026, the projected balance is -€2.3 billion. Excluding State levies of €4.1 billion, the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

As a percentage of GDP, the system's revenues are projected to reach a low of 1.4% of GDP in 2026. This decline in the share of Unédic's actual revenues relative to GDP is attributed to various regulatory measures implemented since 2023: lower compensation for general tax relief, changes to the tax base for the CSG paid by 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 11)*.

CHART 11 – UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES, INCLUDING STATE LEVIES, AS A % OF GDP



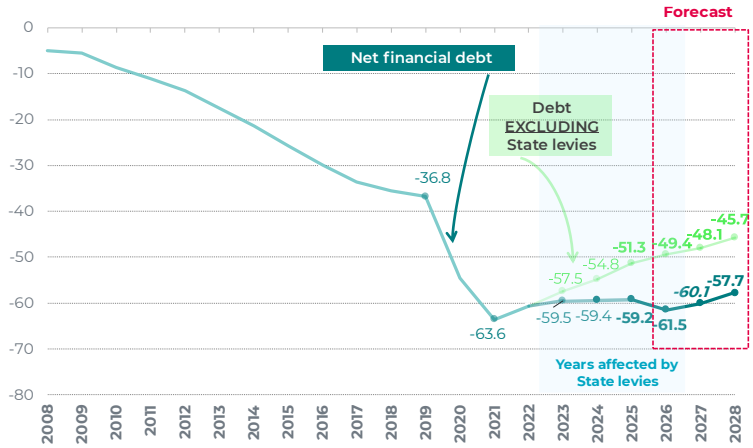
Source: Unédic, Unédic's October 2026 financial forecasts.
Note: Revenues for 2027 and 2028 are estimated on the assumption that no State levies will be collected in those years.

AFTER 3 YEARS OF STABILITY, THE SYSTEM'S DEBT IS EXPECTED TO RISE AGAIN IN 2026

The unemployment insurance system's debt peaked in 2021 at €63.6 billion due to the health crisis. This was followed by two years during which the system began to reduce its debt, before stabilizing at around €59 billion by 2025.

Debt is projected to rise significantly in 2026, driven by a deterioration in the balance, reaching €61.5 billion, before declining again in 2027 and 2028 to stand at €57.7 billion at the end of the forecast period (assuming no State levies in 2027 and 2028) *(Chart 12)*. **Without the State levies made between 2023 and 2026, debt would have reached €45.7 billion by the end of 2028, and even €44.2 billion if we exclude the new interest expenses (€1.5 billion) generated by the debt issued to finance these levies.**

CHART 12 – DEBT OF THE UNEMPLOYMENT INSURANCE SYSTEM, IN € BILLION



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

TABLE 4 – UNÉDIC'S REVENUES AND EXPENDITURES FOR THE YEARS 2024 THROUGH 2028, IN € BILLION

In € Billions, on 31 December	2024	2025	2026 Forecast	2027 Forecast	2028 Forecast
Revenue	**45.2**	**45.4**	**44.3**	**49.4**	**50.9**
Unemployment Insurance contributions	44.4	44.5	43.4	48.4	49.8
of which Main contributions after State levies	27.2	26.9	26.2	30.5	31.5
Main contributions	*29.8*	*30.2*	*30.3*	*30.5*	*31.5*
State levies	*-2.6*	*-3.4*	*-4.1*		
of which General social contribution (CSG)	17.3	17.6	17.2	17.9	18.3
Other income	0.8	0.9	1.0	1.1	1.1
Expenditure	**45.2**	**45.3**	**46.6**	**48.1**	**48.5**
Gross unemployment benefits and aids*	37.1	37.2	38.1	*39.3*	*39.5*
Furlough programme	0.1	0.1	0.1	0.1	0.1
Pension funds	2.5	2.4	2.4	2.5	2.5
Other expenses	5.5	5.6	6.0	6.3	6.5
of which France Travail** funding	4.8	5.0	5.2	5.3	5.2
of which net interest expense	0.6	0.5	0.7	0.9	1.1
Financial balance	**0.0**	**0.1**	**-2.3**	**1.4**	**2.4**
Net financial debt* **	**-59.4**	**-59.2**	**-61.5**	**-60.1**	**-57.7**

** Notably: ARCE, CSP bonus*
*** Assuming that France Travail's funding remains at 11% of revenue from year N-2 before State levies.*
**** Net financial debt excluding France Travail's current account. Note: The net financial debt shown in the table for the years through 2025 corresponds to that shown in Unédic's financial report.*
Source: Unédic, Unédic's October 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 collected in those years.

INCREASING INTEREST EXPENSES, DRIVEN BOTH BY RISING DEBT AND RISING INTEREST RATES

The management of the unemployment insurance system is based on a countercyclical model, designed to mitigate the effects of economic fluctuations: the use of debt during a slowdown must be offset by debt reduction during a recovery. Starting in 2022, against the backdrop of an economic recovery following the health crisis, debt reduction should have begun in order to restore the system's capacity to cushion the economic and social consequences of potential economic downturns.

However, the reduction in compensation related to employer social security contribution exemptions—totalling €12.05 billion over the 2023–2026 period—has jeopardized this trajectory. By depriving the system of resources that could have been used to reduce its debt, these measures have, on the contrary, contributed to creating new financing needs, even as bond yields have continued to rise. **Consequently, Unédic issued €14 billion in bonds in 2025 and 2026, primarily to cover the revenue losses resulting from these levies and the associated interest expense, estimated at approximately €1.5 billion between 2023 and 2028.**

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 resulting from State levies. Unédic was thus forced to cover the system's needs through increased reliance on short-term debt. This situation resulted in a significant increase in outstanding short-term debt, which in 2026 will still be well above the target ensuring sound management of refinancing risk (estimated at between €4 billion and €5 billion, given the level of activity). Against a backdrop of rising short-term interest rates—driven by the ECB's restrictive monetary policy aimed at curbing inflation in the eurozone—this increase in short-term debt also leads to a significant rise in interest expenses (see below).

In 2026, this situation led Unédic to increase its bond issuance program to €10 billion, a historically high level outside of the exceptional period of the health crisis. The program was carried out against a market backdrop marked by rising geopolitical tensions and higher energy prices, which reignited inflationary pressures and contributed to rising bond yields in the major developed economies. The yield on the 10-year French government bond (OAT), which serves as a benchmark for Unédic's cost of financing, hovered around 4.90% in mid-October, compared with just around 3.60% at the end of 2025.

At the same time, the ECB raised its key interest rates with the aim of bringing inflation back to its 2% target on a sustainable basis over the medium term. Following an initial hike in June, the ECB raised its three key interest rates by another 25 basis points at its meeting on 10 September, bringing the deposit facility rate to 2.50%. As a result, Unédic's financing costs and interest expenses on the program's debt are rising.

It is against this backdrop of historically high interest rates that Unédic will most likely need to refinance in 2027, which explains a sharp future increase in interest expenses, given that the current debt stock was primarily incurred at low interest rates—particularly during the health crisis. **In total, Unédic's net interest expenses are projected to reach €0.7 billion in 2026, €0.9 billion in 2027, and exceed €1.1 billion in 2028. While it accounted for less than 1% of revenue through 2022, its share is set to grow significantly and is expected to represent more than 2% of revenue in 2028—as the increase in debt volume combines with the effect of rising interest rates.**

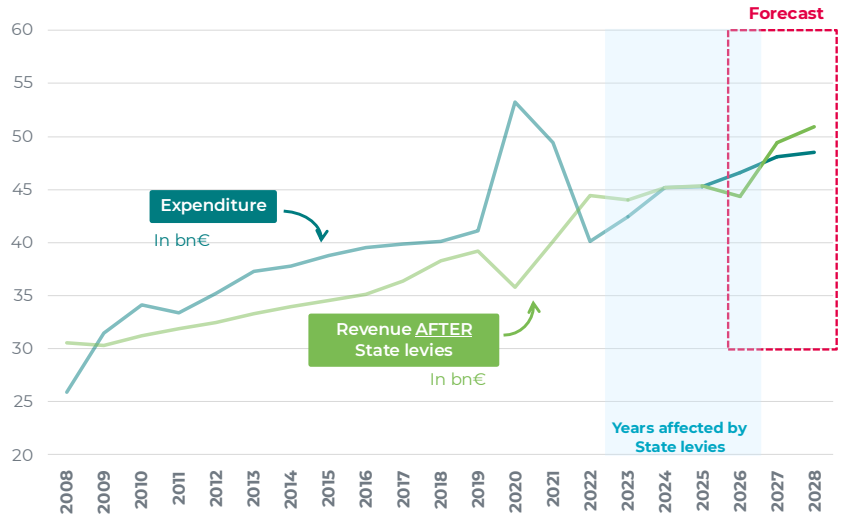
TABLE 5 – UNÉDIC DEBT AMORTIZATION SCHEDULE, IN € BILLION

	2025	2026	2027	2028
Financial balance (before change in funding plan)	**0.0**	**-2.3**	**1.4**	**2.4**
Change in outstanding Medium/Long-Term debt	1.0	3.8	2.8	-1.5
New Medium/Long-Term debt issuances	*4.0*	*10.0*	*8.0*	*5.5*
Medium/Long-Term debt reimbursments	*3.0*	*6.3*	*5.3*	*7.0*
Change in outstanding Short-Term debt	-1.1	-1.5	-4.1	-0.9
Change in cash	0.0	0.0	0.0	0.0
Change in net debt	-0.1	2.3	-1.4	-2.4
Net debt	*59.2*	*61.5*	*60.1*	*57.7*

Source: Unédic, Unédic's October 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 made in those years.

APPENDIX 1

CHART A – UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES, INCLUDING STATE LEVIES, IN € BILLION



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

FINANCIAL STATUS OF UNEMPLOYMENT INSURANCE THROUGH 2028

October 21, 2026

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