

## The national accounts have switched to the 2020 base

On 31 May 2024, the national accounts changed base: with the publication of the detailed results for Q1 2024, they switched to “Base 2020”. Each year, the estimate for the growth of the macroeconomic aggregates is updated over the past three years to take into account any new information that has become available since the previous publication. However, on 31 May 2024, all aggregates since 1949 were modified. Changing base in fact means reviewing the methods, classifications and statistical sources used in the national accounting in order to best reflect economic reality.

Switching to base 2020 allows for the following:

- quasi-systematic review of the methods and sources used, in particular a readjustment against the balance of payments (for foreign trade and the rest of the world) and a readjustment of the business statistics data (for non-financial corporations);
- improve European comparability, mainly by introducing changes to the method to improve the way research and development activities and software production are measured, but also by modifying the way certain taxes, tax credits and subsidies are recorded;
- change the scope of institutional sectors, especially general government.

This change of base therefore affects not only economic quantities such as GDP, value added, consumption, investment and foreign trade, but also the accounts of institutional sectors, in particular the investment rate of non-financial corporations and the household savings ratio.

With regard to the quarterly accounts specifically, the general preparation method does not change: the principles are exactly the same as those used for the previous base. A change has been made, however: the quarterly profile for the years 1949 to 1999 will from now on remain frozen from May 2024, and only the quarterly profile from 2000 will be reviewed with each estimate. Previously, with base 2014, the quarterly accounts reviewed the profile from 1980 onwards.

This Focus is not intended to be exhaustive and readers are recommended to refer to the [documentation on Base 2020](#) available on the INSEE website, in particular the document “Les comptes nationaux passent en base 2020” of which this Focus is a summary.

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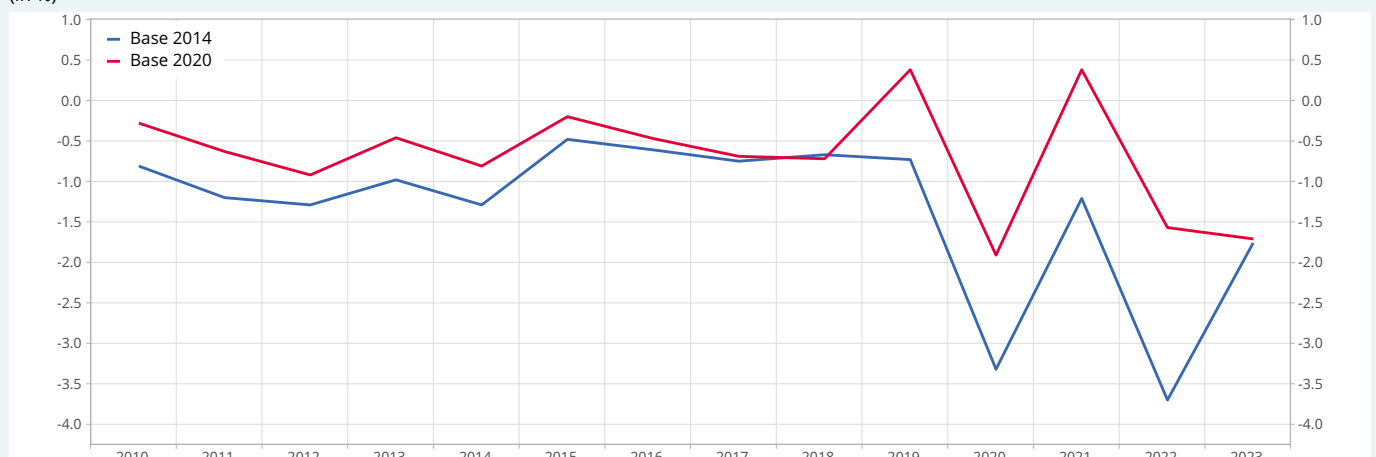
### Adjustment of levels against source data

The main aim of Base 2014 was to reconcile estimates by INSEE and the Balance of Payments (BdP) with foreign trade and France’s net borrowing. For Base 2020, this work continues but goes further as the aim is to look for convergence in each detailed component of exports and imports, and in property income. The nation’s net borrowing has been revised by +€26.5 billion for 2019 in base 2020

(► **Figure 1**): this revision results from the cumulative effect of the revision of the balance of foreign trade in goods and services (+€7.5 billion), the primary income account and current transfers (+€20.0 billion, mainly property income) and the balance of capital transfers (-€1.0 billion). During the current campaign, however, this adjustment of level cannot be maintained with certainty, as the BdP publishes its definitive accounts later than the definitive publication of the national accounts.

### ► 1. France’s net borrowing (by value): revision between the two bases

(in %)



Source: INSEE.

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# French economic outlook

An adjustment of levels was also carried out against structural corporate data obtained from the ESANE scheme, for the first time since base 2010 (the national accounts reflect changes in the current campaign). This readjustment led to a revision by level of non-financial corporation value added of -€11.1 billion in 2019.

Finally, base 2020 incorporates the last two housing surveys (ENL 2013 and 2020) from which real and imputed rents can be reassessed. As a result, household consumption expenditure on real and imputed rents (and hence GDP) was revised by +€15.9 billion in 2019.

## Revisions to the Method to improve European comparability

The change in Method that had the greatest impact on the national accounts concerns estimates of production and investment in research and development (R&D). A better distinction between R&D activities and those linked to software development results in own-account R&D production being revised downwards, resulting in a revision of GDP of -€8.6 billion. Overall, GFCF is revised downwards by €7.5 billion between base 2014 and base 2020 for 2019, mostly in non-financial corporations. To this revision of GFCF in R&D we can add that linked to the use of software and databases (-€18.1 billion less in GFCF<sup>1</sup>). In total, the GFCF of NFCs is revised downwards by almost €35 billion (including the effects of changes to the scope of the SNCF rail network and the public broadcaster France Télévisions, see below).

A second change is that which concerns undeclared activity: this is re-estimated using detailed and innovative methods (► [Quantin & Welter-Médée, 2022](#)). It is revised downwards and contributes less to GDP, -€7.7 billion in 2019.

Finally, by changing to base 2020, certain subsidies can be reclassified in order to comply with the latest European recommendations on the registration of certain public energy policies. In particular, subsidies awarded in the framework of the public service electricity charges (CSPE) scheme have been reclassified as subsidies on production (+€8.1 billion) rather than a subsidy on products.

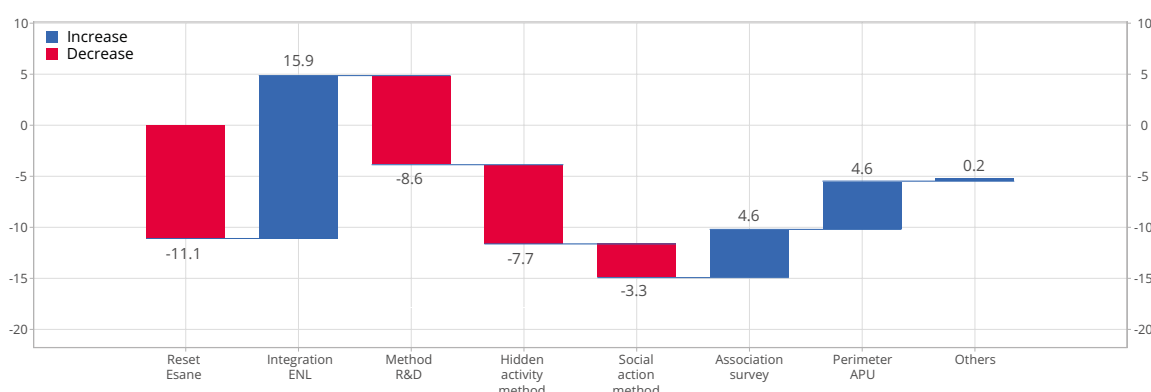
## Changes in scope of activities and institutional sectors

Concerning general government, its revenue and expenditure have been modified, with full integration of the activities of the public audiovisual system and SNCF Réseau, but without this affecting public debt and deficit, as these were already taken into account in base 2014. This nevertheless has an impact on GDP as their value added is now calculated as the sum of costs, and thus it is increased in 2019. The French public service additional pension scheme (ERAFP) has been reclassified as a financial corporation, due to its pension fund activity.

In addition, dividing items between institutional sectors has been reviewed to take into account the development of private nurseries and private home help providers. This reallocation between institutional sectors resulted in an increase of €5.0 billion in the value added of social action

<sup>1</sup> In compliance with the European recommendations, Base 2020 reviews dividing investment in software or databases (involving a transfer of economic ownership) from intermediate consumptions (use of a service without transfer of economic ownership).

## ► 2. Breakdown of revisions to GDP in base 2020 (in billions of euros, for 2019)



**Note:** revisions are to GDP in current euros. They include revisions to VA and to taxes and subsidies. Thus, the reclassification of the CSPE has no effect on GDP. The category "General government" includes effects linked to the calculation of value added according to the sum of costs, and the reclassification of SNCF Réseau subsidies as current transfers (both effects increasing GDP in 2019).

**Source:** INSEE.

services carried out by non-financial enterprises and, in parallel, a decrease of €2.0 billion in general government value added and a drop of €6.3 billion in value added of households' own final use.

## GDP is revised downwards in level but its variations remain similar

The downward revision of GDP (► [Figure 2](#)) is thus essentially the result of a downward revision of value added (-€18.6 billion), driven mainly by non-financial corporations (adjustment to ESANE, change in method for R&D and software), whereas the balance of taxes and subsidies on products is revised upwards (+€13.2 billion), mainly due to the reclassification of the CSPE.

Changes in GDP by volume are adjusted slightly between base 2014 and base 2020 (► [Figure 3](#)). Growth was a little lower over the 2017-2019 period. Conversely, it was a little higher from 2020. Compared to its 2019 level, GDP had thus increased by about 1 point at the end of 2023. On the

demand side, this upward revision finds its counterpart in household consumption and exports.

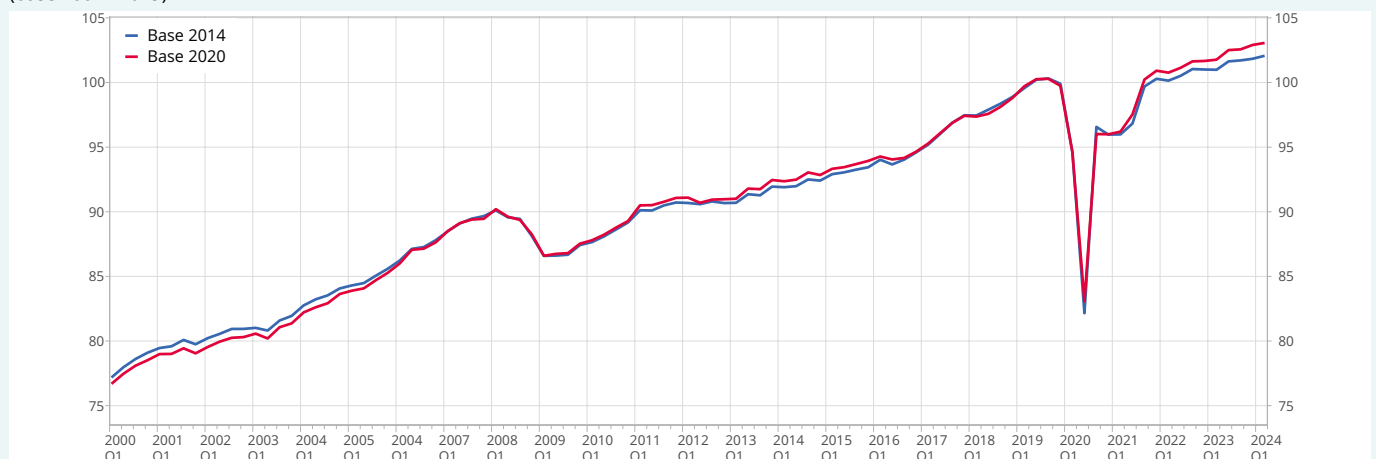
## The self-financing ratio of NFCs is revised downwards, as is the household savings ratio

The accounts of the institutional sectors are revised as the switch is made to base 2020.

For NFCs, their value added is significantly reduced (adjustment of ESANE data, methods of estimating R&D, undeclared activity, reclassification of units to general government), as is their GOS (especially with the discrepancy in the timing of the Competitiveness and Employment Tax Credit (CICE)), which modifies the profile of the margin rate (► [Figure 4a](#)). With the significant revision of the GFCF (method of estimating R&D and software and databases, reclassifications of units to general government), the investment rate is revised downwards (► [Figure 4b](#)).

### ► 3. Revisions to GDP by volume between the two bases

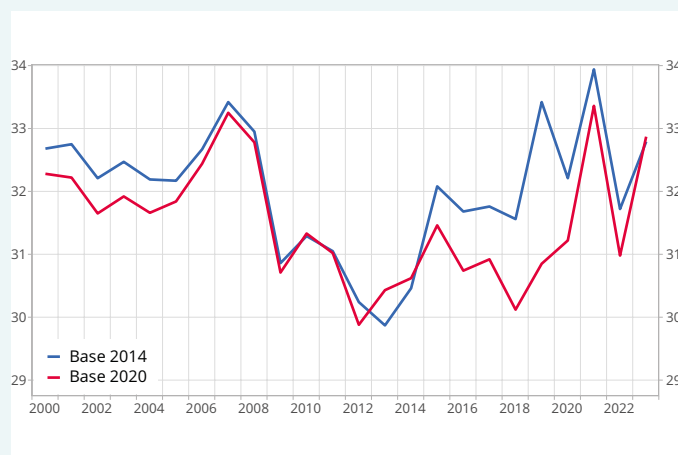
(base 100 in 2019)



Source: INSEE.

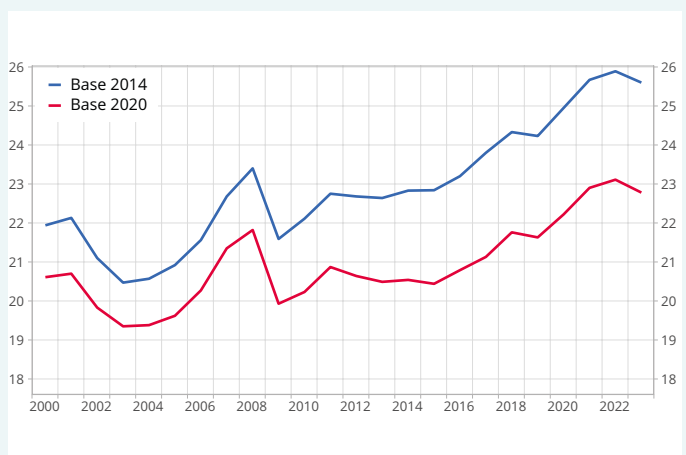
### ► 4a. Margin rate of NFCs: revisions between the two bases

(in %)



Source: INSEE.

### ► 4b. Investment rate of NFCs: revision between the two bases



# French economic outlook

Overall, the timeline of general government's net lending/borrowing has not been revised much, apart from the period 2013-2019 due to the registration of the CICE.

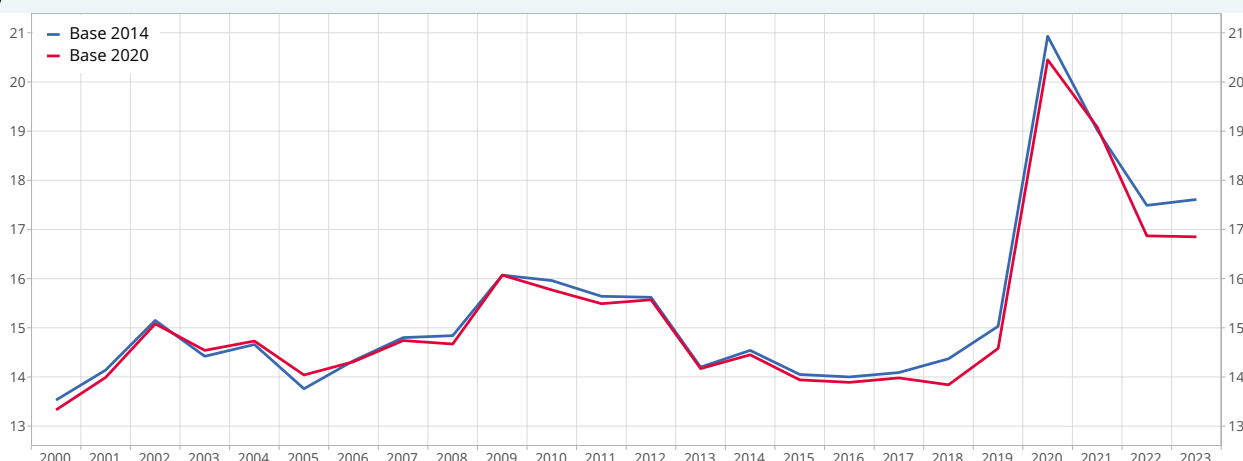
Concerning households, their gross disposable income (GDI) is revised downwards: household wealth income is revised upwards, especially with the incorporation of the housing survey, but this is offset by the revision

downwards of earned income (especially sole proprietors, with the adjustment to ESANE and the new estimate for undeclared activity) and current transfers with the reclassification of activities. Household savings are revised even further downwards as household consumer spending has been revised upwards. Overall, the savings ratio<sup>2</sup> has been revised slightly downwards (► [Figure 5](#)). ●

<sup>2</sup> The definition of the savings ratio has been revised with the switch to base 2020. In fact, national accounting manuals recommend that the savings ratio is defined as the ratio of savings to GDI increased by the variation in pension rights. This last operation was zero in base 2014 but this is no longer the case in base 2020.

## ► 5. Households' savings ratio: revision between the two bases

(in %)



Source: INSEE.

## Bibliography

Quantin Simon et Welter-Médée Cécile (2022), "Estimating the revenue loss from VAT tax avoidance using fiscal audits", Document de travail n°2022-11, July, INSEE. ●