



# The Missing Annex

Édouard Philippe's programme, costed against his own 2% deficit target

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## In short

- **There is no annex yet.** Unlike the RN, which published a line-by-line counter-budget on 6 October, Édouard Philippe has set out a programme with a deficit target, 2% of GDP by the end of the term, and few euro figures. This note prices what can be priced from official sources and flags what still needs detail.
- **Horizons tabled an “alternative budget” for 2027 on 12 October.** It keeps the government's 5% deficit target and swaps €10bn of the bill's tax rises for €10bn of savings, half from the State and half from social spending. Only one line has a figure: ending the pension suspension early, about €1bn in 2027. It is a budget-year plan aligned with the government, separate from Philippe's presidential programme.
- **The target needs about €124bn.** Going from a 5.4% deficit in 2026 to 2% in 2032 is 3.4 points of GDP.
- **The levers he has named have mechanisms.** Not replacing a third of departing civil servants is worth €11–16bn a year by 2032; capping unemployment benefits at 12 months about €5bn; the pension plan mostly after 2032, about €8bn a year for each extra year of age or contributions once in force. The business deal is a swap, €50bn of production-tax cuts against €50bn of aid cuts, and a 20% teacher pay rise costs about €9bn.
- **Most of the effort is still to be written down.** Half of it is to fall on social spending, and health spending is to be “stabilised”. These are the largest levers in the programme and carry no figures yet, so a total would be premature. To close the gap they would need to hold social benefits to about 1% growth a year in value instead of about 3%.
- **For the spread, the question is sequencing.** Pensions and headcount are structural and work over ten years; the production-tax cut is certain and can come first. How the social and health savings are specified will decide how the market reads the plan.

## 1. What Philippe has put on the table

The programme has been set out in pieces: the website's priorities, a pension plan on 29 September, interviews in late August and on 8 October. Gathered together, the measures that bear on the budget are these. Only the business “deal” and the climate fund come with his own euro figures.

| Measure                    | What he has said                                                                                                                                                                                            | His figure         |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Deficit                    | 2% of GDP by the end of the term; constitutional golden rule; no new tax over the term                                                                                                                      | 2% of GDP          |
| Pensions                   | Restore the suspended 2023 path, then 65 and 45 years of contributions within ten years; about one in three could still leave between 60 and 64; a funded pillar of 10–15% of pensions within fifteen years | –                  |
| Civil service              | Replace two of every three departures: about 250,000 posts not replaced over five years                                                                                                                     | 250,000 posts      |
| Unemployment insurance     | Maximum duration cut from 18 to 12 months for under-50s                                                                                                                                                     | –                  |
| Business “deal”            | Production-tax cuts against cuts in “unproductive” public aid                                                                                                                                               | €50bn / €50bn      |
| Work                       | Two extra hours a week, free of social contributions; about €1,000 a year for a minimum-wage worker                                                                                                         | –                  |
| Families                   | Single allowance of €350 a month from the first child; €3,000 tax cut for three years after each birth for working families                                                                                 | –                  |
| Teachers                   | Average pay up 20% over the term                                                                                                                                                                            | –                  |
| Health and social spending | Health spending “stabilised”; half of the effort on social spending; sick-leave waiting days                                                                                                                | –                  |
| Other                      | Agencies merged or privatised; climate adaptation fund; higher gift and inheritance allowances                                                                                                              | €2bn a year (fund) |

## 2. Pricing the measures

Each measure is priced from official data for 2032, the last year of the term, in € billions; a plus sign improves the balance. The aim is to size each lever, not yet to add them up: the programme’s largest savings, on social and health spending, are still to be specified.

| Measure (2032, €bn)                       | His figure | Estimate                  | When it bites        |
|-------------------------------------------|------------|---------------------------|----------------------|
| Civil service: 250,000 posts not replaced | –          | +11 to +16                | Builds over the term |
| Unemployment benefits: 12 months          | –          | ≈ +5                      | From the first year  |
| Pensions: 65 and 45 years                 | –          | +0 to +4 in 2032          | Mostly after 2032    |
| Business deal: tax cuts against aid cuts  | 0 (swap)   | 0 if both sides delivered | Tax side first       |
| Teacher pay +20%                          | –          | ≈ –9                      | Over the term        |
| Climate adaptation fund                   | –2         | –2                        | From the first year  |

**Civil service.** About 137,000 public servants retired in 2024, consistent with the 750,000 departures Philippe expects over five years. Not replacing a third saves the cost of the new hires that would have replaced them: between about €45,000 for an entry-level post and €64,000 for the average post, which is the €370bn public pay bill divided by 5.8 million employees. That is €11–16bn a year by 2032. Two points will shape the final figure: a third of public employees work for local authorities, whose hiring the State can influence but not dictate, and under the 2007–2012 rule of one in two, half of the savings was handed back to staff. Philippe has not said whether he would do the same.

**Unemployment benefits.** In 2024 the unemployment insurance fund estimated that cutting the maximum duration from 18 to 12 months for claimants under 53, then the limit of the 18-month band, would save nearly €6bn and affect 45% of claimants. Philippe’s cut stops at 50, so claimants aged 50 to 52 drop out; allowing for their longer spells on benefits, we put the saving at about €5bn. Since 2025 the 18-month band runs to 54, so under his plan claimants from 50 to 54 would keep 18 months. The government can set the rules by decree if the social partners do not agree; part of the saving would be offset by claimants moving on to the minimum income paid by the départements.

**Pensions.** The 2023 reform, suspended until January 2028, resumes by law afterwards, so restoring it is already in the baseline. The step to 65 falls on generations born from about 1969, who reach 64 from 2033, so its yield comes mainly after the term. The Cour des comptes puts one more year of legal age at €8.4bn a year in 2045 and one more year of contributions at €8.0bn. Moving to 45 years can start sooner and is the part that bites before 2032. It is the most powerful lever in the programme over twenty years, and a modest one over five.

**The business deal.** Philippe presents it as a swap, and if both sides are delivered it is neutral for the deficit. The Senate counted €211bn of public aid to companies in 2023: €88bn of tax breaks, €75bn of social-contribution relief, €41bn of public-bank financing and €7bn of subsidies, so there is room to find €50bn. The points to watch are timing, since the tax cut can be legislated faster than the aid cuts, and the mix, since cutting payroll relief raises labour costs. Part of the production taxes also funds local authorities, which the State would compensate.

**Teachers.** The schools budget carries about €59bn of personnel costs excluding pensions (our calculation from the Senate's report on the 2026 budget), roughly three-quarters of it for teachers. A 20% rise costs about €9bn a year by 2032. Philippe argues that a million fewer pupils pays for it; that saving would come through fewer posts, which overlaps with the civil-service line.

**Still to be specified.** The family allowance depends on its taper: €350 a month for each of the 7.9 million families with a minor child would cost €33bn, against €21.5bn for the four benefits it could replace, so the net cost ranges from little to about €12bn depending on how fast it falls with income. The two extra hours cost little if they are new hours and more if existing overtime is relabelled. Higher inheritance allowances cost revenue. On the savings side, "stabilising" health spending, putting half of the effort on social spending, merging agencies and the sick-leave changes are the largest levers in the programme and have no figures yet.

### 3. The Horizons alternative budget for 2027

On 12 October Laurent Marcangeli, who leads the Horizons deputies, set out an "alternative budget" for 2027; he stressed it is not a counter-budget, which would imply opposition. It shares the government's target of a 5% deficit in 2027 and replaces €10bn of the bill's tax rises with €10bn of savings, split evenly between the State and social spending.

| Measure                                                                                | Figure given   |
|----------------------------------------------------------------------------------------|----------------|
| End the suspension of the 2023 pension reform early                                    | ≈ €1bn in 2027 |
| Replace two of every three departing civil servants                                    | -              |
| Cut ministry budgets, sparing education, police, gendarmerie, armed forces and justice | -              |
| Two waiting days before sick pay in the public sector                                  | -              |
| Social security funds' spending down 3% a year                                         | -              |
| <b>Total extra savings, against €10bn of tax rises withdrawn</b>                       | <b>€10bn</b>   |

The plan carries the programme's levers into the 2027 bill: pensions, headcount and sick leave. Two points need detail. A 3% annual cut in social security spending would be very large if it applied to benefits, so it most likely refers to the funds' running costs. And Horizons also backs the government's savings on pensioners, which the Assembly has started to reject: on 15 October it deleted the cap on pensioners' 10% tax allowance, worth €1.4bn, by 116 votes to 30. On 16 October the social affairs committee also deleted the limit on the January pension uprating to pensions up to €1,260, and rejected the social security bill; the chamber takes the government's text from 20 October. The government targets a social security deficit of €12.7bn in 2027, against €21.8bn in 2026; the committee's rapporteur put the deficit implied by its changes at €21.4bn.

### 4. What the 2% target needs

With nominal GDP of about €3.66tn in 2032, going from 5.4% to 2% is  $3.4\% \times €3,656\text{bn} \approx €124\text{bn}$ . The named levers above cover part of it: the civil service, unemployment insurance and the first pension effects add roughly €16–25bn by 2032, against about €11bn for teachers and the climate fund. The rest has to come from social and health spending and from growth.

Social benefits totalled €932bn in 2024 and grew 4.8% that year. Holding their growth to about 1% a year in value over 2026–2032 instead of about 3% would yield  $932 \times (1.03^6 - 1.01^6) \approx €124\text{bn}$ : the whole adjustment on its own. That is the scale of what “half of the effort on social spending” implies. The health spending target was met in 2025 for the first time since 2020, after €5.1bn of emergency savings, which shows both that it can be done and how hard it is. Working more would add growth and revenue, which Philippe has not yet quantified.

## 5. How it differs from the RN’s approach

The two programmes are at different stages and are not directly comparable. The RN has published a full costing, which can be tested line by line; many of its lines have no mechanism. Philippe has named fewer measures, but most of those he has named have one: pensions, headcount and unemployment rules are levers governments have used before. The open question for the RN is whether its lines can be banked; for Philippe it is how the social and health savings will be specified.

## 6. What it means for the budget fight and the spread

In committee, Horizons voted against the revenue part of the 2027 bill, which was rejected 31 to 3; in December 2025 Philippe asked its 34 deputies to abstain on the social security budget. Its alternative budget now gives a view on the current bill: same 5% target, fewer tax rises, more savings. Horizons has still not said how it will vote on 20 October. The programme’s own levers would start after the June 2027 elections, through ordinances that still need an enabling vote in a new Assembly.

For the OAT–Bund spread, pensions and headcount are the kind of structural measures that matter over ten years. Over the term, the question is sequencing: the production-tax cut can be front-loaded, while the aid cuts, the social savings and the pension yield build more slowly. The next step to watch is the detail on social and health spending, which will carry most of the 2% target.

**Next dates.** The calendar below is the Assembly’s timetable of 29 September, with the rating and ECB dates added.

| Date         | Event                                                                                                                        |
|--------------|------------------------------------------------------------------------------------------------------------------------------|
| 19-10-26     | Debate on the revenue part ends                                                                                              |
| 20-10-26     | Solemn vote on the revenue part; social security bill opens in the chamber                                                   |
| 23-10-26     | Moody’s review (Aa3, negative outlook)                                                                                       |
| 27-10-26     | Solemn vote on the social security bill; spending part opens                                                                 |
| 29-10-26     | ECB monetary policy decision                                                                                                 |
| 17-11-26     | Solemn vote on the whole budget; end of the Assembly’s 40 days                                                               |
| 27-11-26     | S&P review                                                                                                                   |
| Mid-December | Joint committee, final readings; the 70-day limit, after which the budget can be enacted by ordinance; ECB decision on 17-12 |

## Sources and method

*Programme: edouardphilippe.fr (priorities); pension plan of 29 September 2026; interviews of 24 and 27 August and 8 October 2026 as reported. Cour des comptes, retraites (February 2025). 2026 social security financing act (suspension of the 2023 reform). DGAFP, état de la fonction publique 2025. INSEE, comptes des administrations publiques 2025. Unédic scenarios, May 2024; Unédic, current maximum durations by age. Sénat: inquiry on public aid to large companies (July 2025); mission Enseignement scolaire, PLF 2026; avis on the 2026 social security bill. DREES, protection sociale 2024. INSEE, familles selon le nombre d’enfants mineurs (2023). Assemblée nationale, commission des finances, first part of the 2027 bill; vote of 15 October 2026 on article 3; social affairs committee, 2027 social security bill (16 October 2026); Assembly timetable of 29 September 2026; Agence France Trésor rating calendar; ECB meeting calendar. Horizons alternative budget as presented by Laurent Marcangeli on 12 October 2026 and reported. The entry-level cost per post ( $\approx €45,000$ ) is the author’s assumption; 2032 GDP extrapolated at 3% nominal growth from 2025.*