France remains the Euro area's runner-up for public spending

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Marketing communication: This document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. 28 August 2026 EMEA M ACRO I NSIGHTS France remains the Euro area's runner-up for public spending In 2025, France had the second largest public spending in the euro area after Finland, at 57.3% of GDP. While the gap with Germany continues to narrow due to rising German public spending, it remains relatively stable compared to Spain and the Euro area. A deep dive into the COFOG (Classification of the Functions of Government) data breakdown between 2000 and 2024 (the latest available year) reveals public spending has surged across european countries, fueled primarily by rising healthcare and social protection spending. Yet, the pace differs widely: social protection spending rose by just +0.5 percentage points (p.p.) in Germany and +2.8 p.p. in France, compared to a steeper +4.5 p.p. in Italy and a massive +6.0 p.p. in Spain. In particular, France's pension spend (13.4% of GDP in 2024) remains the primary driver of its social protection expenditure gap relative to peers. Indeed, as of 2024, France records the fourth-highest pension spending in the Euro area, behind only Finland, Austria, and Italy. The burden of public spending — specifically social security — will undoubtedly take centre stage in the French presidential campaign. This was already evident during the first candidate debate at the Medef summer conference on August 26, 2026 (see French Politics: Post-Card from REF). WRITTEN BY Hadrien CAMATTE Tel. +33 1 58 55 39 43 hadrien.camatte@natixis.com Théa BARTOLETTI thea.bartoletti@natixis.com Discover more on our Website

EMEA M ACRO I NSIGHTS 2 Euro area public spending: France maintains second- highest ranking in 2025 France’s public deficit landed at -5.1% of GDP in 2025 (Chart 1), down from -5.8% in 2024. Despite this marginal recovery, the French deficit remains the highest in the Euro area, bar Belgium's at -5.2%. Measured as a share of GDP, France recorded the second-highest public spending in the euro area in 2025 (Chart 2), trailing only Finland, at 57.3% of GDP — a level close to those observed pre-COVID. Chart 1: Public deficit (% of GDP) Chart 2: Public spending (% of GDP) 00 02 04 06 08 10 12 14 16 18 20 22 24 35 40 45 50 55 60 65 Euro area Germany Spain France Italy Source: Eurostat, Natixis CIB Source: Eurostat, Natixis CIB The spending gap with Germany has narrowed since 2014 (Chart 3) while widening against Italy: ► Germany’s spending shifts structurally higher: Public expenditure averaged 46.0% of GDP over the 2000 – 2018 period, rising to 49.4% in 2024 and 50.5% in 2025. ► Conversely, after peaking at 56.7% in 2020, Italian public spending as a share of GDP gradually declined, returning close to pre-pandemic levels (which averaged 48.5% of GDP) to reach 50.4% in 2024, before edging back up to 51.2% in 2025 . 00 02 04 06 08 10 12 14 16 18 20 22 24 -14 -12 -10 -8 -6 -4 -2 0 2 4 Euro area Germany Spain France Italy

EMEA M ACRO I NSIGHTS 3 Chart 3: France's surplus public spending (points of GDP) Chart 4: Breakdown of the public spending gap (2000 – 2024) (points of GDP) 00 02 04 06 08 10 12 14 16 18 20 22 24 0 2 4 6 8 10 12 14 16 18 Euro area Germany Spain Italy Source: Eurostat, Natixis CIB Reading note: France’s public spending was 6.7 percentage points of GDP higher than Germany’s in 2025 Source: Eurostat, Natixis CIB A continuous rise since 2000, driven by welfare spending Using Eurostat

COFOG (Classification of the Functions of Government) data (public spending breakdown by function available until 2024), the change in expenditures between 2000 and 2024 reflect (Chart 4): ► Public spending rose across all sovereign peers: Total outlays increased in Germany (+1.4 pp of GDP), Spain (+6.4 pp), France (+4.3 pp) and Italy (+4.0 pp) . ► This expansion was overwhelmingly driven by social protection and healthcare 1 : Specifically, social protection outlays grew by +0.5 pp in Germany, +6.0 pp in Spain, +2.8 pp in France and +4.5 pp in Italy. ► France and Germany increased their defence and public safety spending by 0.3 pp of GDP over the period. ► France and Italy trimmed general public services outlays 2 , though these cuts were insufficient to offset rising costs in other sectors. Between 2023 and 2024 (latest available data), the +0.2 pp of GDP increase in public expenditure was primarily driven by social protection, while spending on economic affairs declined (Chart 5) 3 . 1 Healthcare expenditure comprises medical products, hospital services, public health services, and health-related R&D, whilst social security outlays encompass pensions, sickness and disability benefits, unemployment benefits, housing support, and family allowances. 2 General public services encompass the overall administrative and operational costs of the state, including civil service payroll, public debt interest payments, and the institutional running costs of government bodies." 3 The 'economic affairs' category encompasses, among other sectors, communication, energy, mining and manufacturing, and transport.

EMEA M ACRO I NSIGHTS 4 Chart 5: Breakdown of the change in public spending between 2023 and 2024 (percentage points of GDP) Source: Eurostat, Natixis CIB How have spending gaps between countries evolved between 2023 and 2024? Welfare spending remains the primary driver of divergence The COFOG breakdown by function – available only until 2024 - (Chart 10 , in the Appendix) confirms that healthcare and social security remains the primary contributors to France's spending premium in 2024 4 . This aligns with our 2023 analysis (see our report France, second highest public spendings in the euro area: where do the differences with the others come from?). Between 2023 and 2024, France’s spending gaps with the Euro area and Spain remained virtually unchanged (+0.1 pp of GDP). Conversely, the gap with Germany narrowed from 8.6 pp to 7.5 pp, driven by a sharp rise in German outlays (+1.3 pp of GDP versus +0.2 pp for France). Meanwhile, the gap with Italy widened significantly from +3.3 pp to +6.6 pp, reflecting a steep decline in Italian public spending (-3.5 pp over the year) (Chart 3). France’s premium in healthcare (Chart 6) and social protection (Chart 7) is highly structural: since 2000, France has consistently outspent all peer economies in these categories. ► The shift in the German healthcare curve reflects a sharper spending increase between 2023 and 2024 (+0.2 pp for Germany versus +0.1 pp for France). ► The narrowing social protection gap with Germany and the wider euro area stems from a rise in their expenditures (+0.9 pp of GDP for Germany and +0.5 pp on average for the euro area). Germany was severely hit by the 2022 – 2023 energy crisis, resulting in contraction (GDP growth at -0.9% in 2023 and -0.5% in 2024) and high inflation (averaging 5.9% in 2023 and 2.3% in 2024). 4 However, certain disparities warrant qualification. The scope of public spending varies across countries, particularly regarding the public sector's coverage of healthcare and pension benefits. For instance, French healthcare expenditure includes a substantial portion of personal care and hospital services. Conversely, a significant share of these services is funded by private insurance companies in Germany. +0.2 point

EMEA M ACRO I NSIGHTS 5 Consequently, nominal wages rose sharply. This automatically fed into pension payouts, driving up social protection expenditure. Chart 6: Evolution of France's surplus health spending (points of GDP) Chart 7: Evolution of France's surplus social protection spending (points of GDP) Source: Eurostat, Natixis CIB Source: Eurostat, Natixis CIB Pension spending remains structurally higher, driving the social security expenditure gap A breakdown of social security expenditure reveals that pension spending is the primary driver of this gap (see Appendix, Chart 11). In 2024, France spent an additional 2.5 percentage points of GDP compared to the euro area average. Only Italy spends more on pensions than France (+0.6 percentage points of GDP), owing to its older demographic profile (Chart 9). Indeed, Italy's dependency ratio (the population aged over 65 relative to those aged 15 to 64) is projected to be the highest in the European Union in 2025, at 39%. This pension spending premium is also structural (Chart 8), as France has consistently outspent its peers (excluding Italy) since 2000. Over the 2010 – 2024 period, pension expenditure averaged 13.4% of GDP in France, compared to 10.7% in the Eurozone and 9.3% in Germany. 00 02 04 06 08 10 12 14 16 18 20 22 24 0 0.5 1 1.5 2 2.5 3 Euro area Germany Spain Italy 00 02 04 06 08 10 12 14 16 18 20 22 24 0 1 2 3 4 5 6 7 8 9 10 Euro area Germany Spain Italy

EMEA M ACRO I NSIGHTS 6 Chart 8: Evolution of the France's surplus pension spending gap (percentage points of GDP) Chart 9: Evolution of the dependency ratio (population aged over 65 relative to the 15 – 64 age group) Source: Eurostat, Natixis CIB Source: Eurostat, Natixis CIB Conclusion France's public spending as a share of GDP remains structurally higher than that of almost all other Eurozone countries, a trend once again confirmed in 2024 and 2025. Specifically, France stands out due to: ► A high public deficit: The deficit stood at -5.1% of GDP in 2025, following -5.8% in 2024. In 2025, it was the second highest in the Eurozone, just behind Belgium (-5.2%). While the government has targeted a public deficit of 5.0% for 2026, this goal remains ambitious. Achieving it will be challenging given the downward growth revisions triggered by the war in the Middle East and the rapid rise in debt-servicing costs (see France's Rising Public Debt: The Bill Comes Due). ► The sheer weight of social spending: Our analysis of spending by category based on 2024 COFOG data reveals that healthcare and social protection are the primary drivers of the public expenditure gap between France and other major European economies. Accounting for 13.4% of GDP in 2024, pension expenditures represent the largest component of French social protection. They stand out as a key contributor to the country's high public spending, a phenomenon that is particularly striking given that France's demographic profile is more favorable than that of most of its European peers. Undoubtedly, the fiscal burden of public expenditure — and of the social security system in particular — will take center stage in the upcoming French presidential election. This was already evident during the first debate between the candidates at the Medef summer university on August 27, 2026 (see French Politics: Post-Card from REF). 00 02 04 06 08 10 12 14 16 18 20 22 24 -1 0 1 2 3 4 5 6 7 Euro area Germany Spain Italy 00 02 04 06 08 10 12 14 16 18 20 22 24 20 22 24 26 28 30 32 34 36 38 40 Germany Spain France Italy

EMEA M ACRO I NSIGHTS 7 Appendix Chart 10: Breakdown of the public spending gap relative to France in 2024 (percentage points of GDP) France – Euro area: gap of 7.6 points France – Germany: gap of 7.5 points France – Spain: gap of 11.5 points France – Italy: gap of 6.6 points Source: Eurostat, Natixis CIB

EMEA M ACRO I NSIGHTS 8 Chart 11: Breakdown of the social security expenditure gap relative to France in 2024 (percentage points of GDP) France – Euro area: gap of 3.5 points France – Germany: gap of 3.2 points France – Spain: gap of 4.9points France – Italy: gap of 2.4 points Source: Eurostat, Natixis CIB

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