

## PUBLIC DEBT STABILIZATION: TOWARDS PRIMARY BUDGET SURPLUSES IN A GROWING NUMBER OF COUNTRIES

### BREAKDOWN OF PUBLIC DEFICIT AND DEBT-STABILIZING PRIMARY BUDGET BALANCE (% OF GDP)



SOURCE: NATIONAL STATISTICAL INSTITUTES, BNP PARIBAS FORECASTS (f)

Before the end of the decade, the United Kingdom and France will face a situation that Italy has been experiencing for many years: the need to have a balanced primary budget, or even a surplus, in order to stabilize the public debt-to-GDP ratio. If nothing changes between now and then, the United States is likely to find itself in a similar situation at the beginning of the next decade.

In 2025, only Italy's planned budget will bring it close to the primary balance needed to stabilize its debt. From 2026 onwards, it would even be able to reduce its debt-to-GDP ratio, even if the interest burden worsens. This particular situation gives a fiscal space to increase its military budget (1.5% of GDP in 2024) without increasing its public debt ([EcoPerspectives](#)).

For other countries, interest payments will account for an increasingly large share of the budget deficit. With interest rates rising and given its high fiscal deficit, France will no longer benefit from the relative advantage it has enjoyed until now in the form of more moderate debt servicing. The latter will rise by the end of the decade when most of the securities issued before the increase in interest rates will have been refinanced at higher rates.

For France, as for the United States and the United Kingdom, this rising interest burden will significantly increase the fiscal consolidation effort required to stabilize the public debt-to-GDP ratio. This effort will have to be sustained over several years, given how far the primary balance was in 2024 from the level needed to stabilize the debt ratio. In the United States, the expected rise in inflation this year and next one should moderate the increase in this ratio, but without halting it. In these countries, public debt ratios are therefore likely to continue to rise, a prospect that is already weighing on long-term interest rates.

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