30 September 2026

France - Heading towards the extremes?

France risks facing its fourth government crisis in just over two years. The need for substantial savings and growing discontent among opposition parties could bring down Prime Minister Lecornu's minority government this autumn. Concerns about public finances are reflected in rising French government bond yields. Next year's presidential election adds to these concerns, as candidates at both ends of the political spectrum gain ground in the polls. A president from the far right or far left would affect not only France, but Europe as a whole.

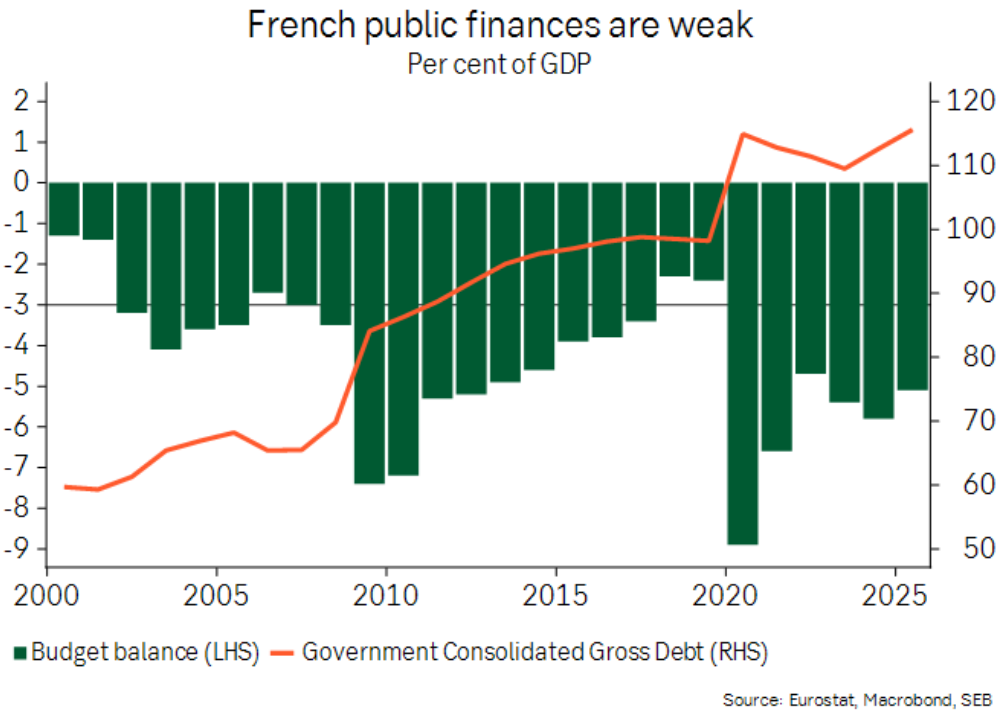
Key points

- Risk of another government crisis
- Large fiscal concerns reflected in rising French yields
- The presidential election in 2027 adds to these concerns

Major spending cuts in the 2027 budget

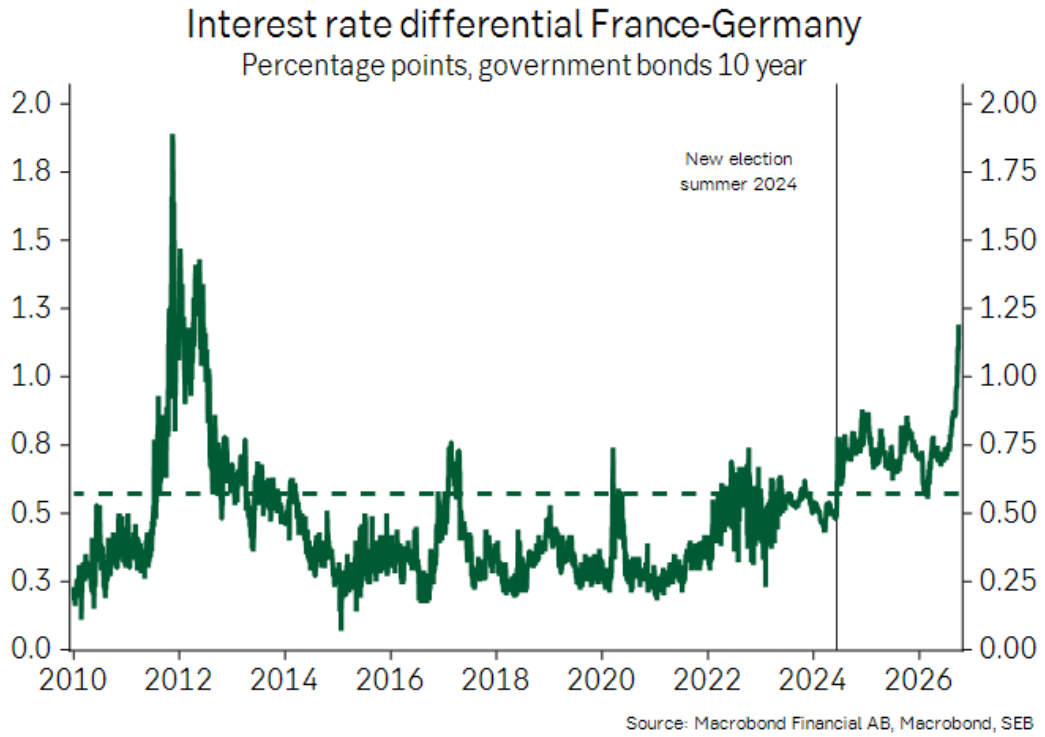
The budget for 2027 is due to be submitted to parliament in early October. Under French law, parliament then has 70 days to scrutinise and vote on the proposal. According to Prime Minister Lecornu (from Macron's Renaissance party), EUR 54 billion in savings will be needed next year to prevent the already large budget deficit from spiralling out of control. Lecornu has also said that the effects of the crisis in the Middle East mean the government will miss its deficit target of 5 per cent of GDP this year, with the deficit potentially reaching 5.4 per cent instead. The aim is to bring the deficit to 5 per cent of GDP in 2027, but according to Lecornu, it could reach as much as 6.5 per cent if no spending cuts are made. Weak GDP growth of 0.6 per cent, according to our latest Nordic Outlook, further complicates the picture. If anything, the risks to that forecast are tilted to the downside.

Weak public finances are driving up interest costs. According to some estimates, these could exceed 3 per cent of GDP in 2028, representing an increase of around 0.25 percentage points per year. This is particularly challenging given Europe's substantial investment needs, including in defence and infrastructure. With France's tax-to-GDP ratio already high at 45.3 per cent, the second highest in the EU, there is limited scope to raise taxes to finance new initiatives.



Markets are concerned

The French 10-year government bond yield has risen by more than 100 basis points since 1 July. This partly reflects the global rise in bond yields, but the sharp widening of the spread over its German counterpart also points to a clear French risk premium. This reflects growing concerns about public finances and the fiscal policies that the next president will pursue following the election in April and May 2027. Although candidates have acknowledged the need for fiscal consolidation in various debates, markets appear sceptical, at least about some candidates' proposals for tackling the country's large debt burden.



Will the government fall?

Since the snap election in the summer of 2024, France has experienced several government crises. Both Michel Barnier's and François Bayrou's governments fell following confidence votes in the parliament after failed budget negotiations. After several confidence votes, Prime Minister Lecornu eventually managed to secure passage of the 2026 budget. The 2027 budget is likely to face at least as much resistance from opposition parties, although the approaching presidential election could encourage them to seek political stability and focus on campaigning instead.

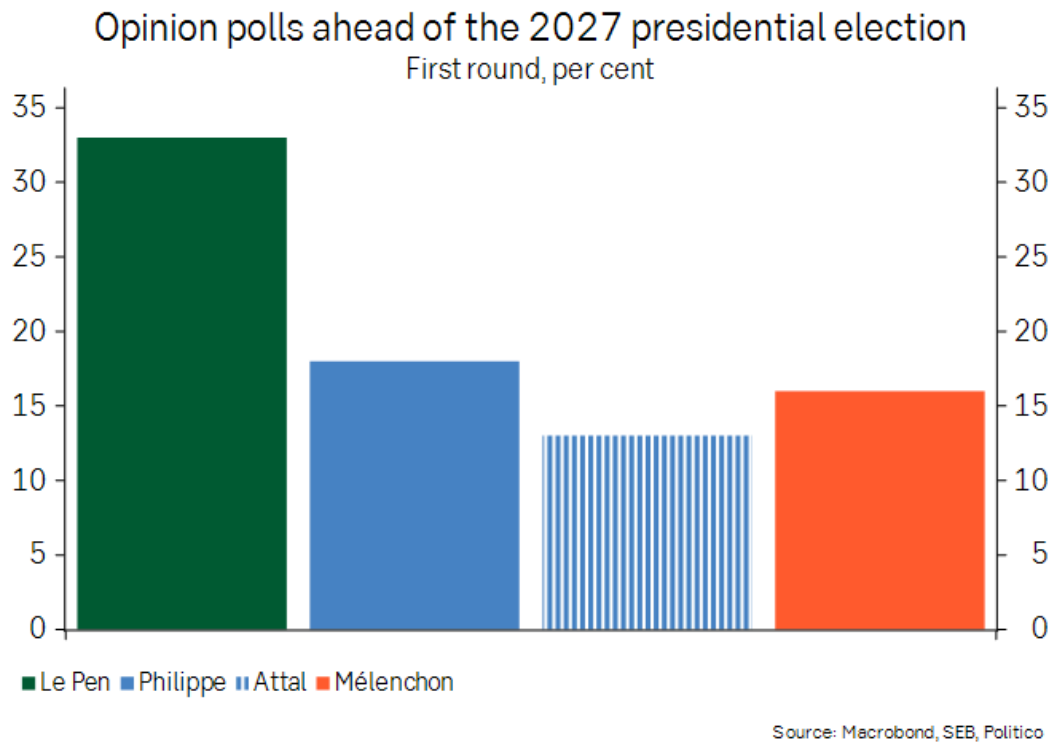
Finding spending cuts that opposition parties would be willing to accept appears difficult. Le Pen, from the far-right National Rally, has said, for example, that her party will not vote for a budget that includes a pension freeze. If Lecornu concludes that the budget lacks parliamentary support, he can invoke Article 49.3 of the constitution to pass it without a parliamentary vote. However, his government could then be brought down by a vote of no confidence. If the budget is delayed, a shutdown of the French government can be avoided by rolling over the 2026 budget into 2027. This would, for example, mean freezing spending, with the exception of pensions, which could in turn add billions in extra costs.

Next year's presidential election could bring victory for the political extremes

The presidential election will take place in two rounds, on 18 April and 2 May 2027. There is no limit to the number of candidates who can stand in the first round. To qualify, each candidate must secure at least 500 nominations from eligible elected officials. These must come from at least 30 different départements or overseas territories, with no more than 50 from the same area. The president is elected for a five-year term. A candidate who wins an absolute majority in the first round is elected outright, making a second round unnecessary. If no candidate wins an absolute majority in the first round — as has always been the case — the two candidates with the most votes advance to a second round.

The French president has extensive powers, including appointing the prime minister, as well as the president and one-third of the members of the Constitutional Council. The president can also dissolve parliament and serves as commander-in-chief.

Current opinion polls show the strongest first-round support for the far-right candidate Marine Le Pen, at just under 35 per cent. Centrist candidates Édouard Philippe and Gabriel Attal receive 18 and 13 per cent, respectively. The far-left candidate Jean-Luc Mélenchon is supported by 16 per cent of respondents. Other prominent potential candidates include Bruno Retailleau, leader of the right-wing Republicans; Raphaël Glucksmann, a member of the European Parliament who is expected to become the candidate of a united left; and François Hollande, a Socialist MP and former president, who has not yet officially announced his candidacy.



The far-left candidate **Jean-Luc Mélenchon** has proposed freezing or writing off part of France's large public debt. However, ECB President Christine Lagarde dismissed the plan as illegal at the press conference following September's monetary policy decision. Mélenchon also wants to reverse Macron's pension reform and eventually lower the retirement age to 60. Further increases in the retirement age under the reform have already been suspended until after the presidential election to avert a government collapse; it currently stands at 62 years and nine months. Mélenchon also advocates a higher minimum wage and higher taxes on high earners. He has previously proposed a marginal tax rate of 90 per cent on annual income above EUR 400,000.

Marine Le Pen, from the far-right National Rally, has pledged that her party would repay the public debt. However, her plans for doing so remain short on detail. Le Pen has spoken of EUR 125 billion in savings and a commitment to a "golden rule" for the budget deficit. According to the limited details available so far, savings would come from government agencies, increased labour force participation among young people,

lower contributions to the EU and reduced immigration. At the same time, like Mélenchon, she wants to lower the retirement age: to 62, or to 60 for those with long working careers who started working before the age of 20 and have worked for 42 years. If the crucial pension reform is reversed, it is difficult to see how either the far right or the far left could reduce the high debt burden.

Both centrist candidates, **Édouard Philippe** (leader of Horizons, mayor of Le Havre and a former prime minister under Macron) and **Gabriel Attal** (leader of Renaissance and another former prime minister under Macron), strongly support fiscal discipline and structural reforms. Philippe has warned against proposals such as Mélenchon's to freeze or write off part of the debt, arguing that they could shut France out of international financial markets. Attal aims to bring the budget deficit below 3 per cent of GDP by 2032 and balance the budget by 2037.

Although Le Pen currently appears to have an advantage in the polls, the outcome of the second round will depend heavily on which candidates advance from the first. If Le Pen faces either of the centrist candidates, Philippe or Attal, her chances of becoming president would probably diminish. This is because left-wing voters will tend to vote for a centrist candidate to prevent a far-right victory. However, widespread dissatisfaction with the economy could increase support for Le Pen even among left-wing voters. A second round between Le Pen and Mélenchon would probably improve Le Pen's chances of winning, as centre-left and centre-right voters may consider her a more acceptable alternative to Mélenchon's far left-wing policies. The winner of the 2027 presidential election therefore looks likely to be the least disliked candidate, rather than necessarily the one with the strongest voter support.

The presidential election matters for Europe

A victory for either candidate from the political extremes could have major consequences for the EU, and particularly for Ukraine. Le Pen wants to halve France's contributions to the EU and end financial support for Ukraine. She no longer advocates France leaving the EU, instead favouring a transfer of powers from EU institutions back to member states. Mélenchon wants to leave NATO altogether and also demands that the ECB write off part of the public debt. He does not explicitly advocate France leaving the EU but wants to renegotiate EU rules and is prepared to defy them if they obstruct his economic programme. If either centrist candidate becomes the next president, France is likely to remain one of the EU's main driving forces.

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