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FRANCE

France’s 2027 budget is only the first fiscal test

France’s 2027 budget would prevent a sharp deterioration in the public finances, but it would not be enough to stabilise public debt. Its adoption would provide some relief, although fiscal and political risks are likely to remain well beyond next year's presidential election



The Ministry of the Economy and Finance in Bercy, Paris. Even if the current budget proposal is adopted, fiscal uncertainty will not disappear in France

France is in the eye of the storm. Its public finances have deteriorated significantly, the budget faces a difficult parliamentary process, and the presidential election offers no clear prospect of political stabilisation. Economic conditions provide little support; we expect GDP growth of only 0.3% in 2026 and 0.6% in 2027.

France’s debt dynamics are particularly unfavourable. Over the past 15 years, its public debt ratio has risen significantly, while many other European countries have reduced theirs. French public debt reached 119% of GDP in mid-2026 and is expected to increase to 121.7% in 2027. Persistent primary deficits, rising interest payments and weak growth mean that debt will continue to rise without sustained fiscal adjustment.

The budget would limit the deterioration, not stabilise debt

The draft budget aims to reduce the public deficit to 5% of GDP in 2027, after 5.4% in 2026 and 5.1% in 2025. This requires €43bn of new measures. Without them, the government estimates that the deficit would reach around 6.5% next year.

This is a substantial adjustment and is consistent with France's European expenditure trajectory. But a 5% deficit remains too high to stabilise debt, particularly with weak growth and a rising interest bill. Even if implemented in full, the budget would only limit the deterioration; the debt ratio would continue to rise.

The budget is likely to pass, but concessions may be needed

The parliamentary process can run until 17 December under the 70-day constitutional timetable. Without a majority in the National Assembly, the government is unlikely to secure approval in a normal vote. Our base case is that it uses Article 49.3 to adopt the budget without one, potentially after making concessions to ensure that a subsequent no-confidence motion fails. This could reduce the final fiscal adjustment.

We, nevertheless, expect the government to survive. Opposition parties have little incentive to trigger another political crisis shortly before the presidential election, take responsibility for the resulting instability and risk a further deterioration in the public finances.

Alternatively, the government could let the deadline expire and impose its original budget by ordinance. It would first have to survive any pre-emptive no-confidence motion. Once the ordinances were adopted, however, the budget would remain in force even if the government subsequently fell.

Failing either outcome, a special law would ensure continuity of the state. But the deadlock could last until the summer and, without corrective measures, cause a sharp deterioration in the public finances.

France therefore faces another two months of budget uncertainty. Adoption would be a relative success, preventing the deficit from rising towards 6.5%. But concessions could dilute the adjustment, while even the original package would not stabilise debt.

Fiscal uncertainty will persist in 2027

Even if the budget is adopted, fiscal uncertainty will not disappear. The next government will still have to implement further reforms. Yet the presidential election on 18 April and 2 May 2027 will probably be followed by legislative elections, which could again produce a fragmented National Assembly and make those reforms difficult to pass.

There is also little clarity on the future fiscal strategy. Few prospective candidates have

presented sufficiently detailed plans to stabilise public finances, and almost none appear willing to tackle pensions, despite their being the largest component of public spending and central to France's structural fiscal problem.

The National Rally, which leads first-round polls, has made fiscal consolidation a priority. But its plan, in our view, relies on very optimistic macroeconomic assumptions and difficult-to-deliver savings, as discussed in our assessment of its fiscal programme. The far-left La France Insoumise and its candidate, Jean-Luc Mélenchon, support cancelling part of the debt held by the central bank and pursuing an expansionary fiscal policy. There is even less visibility on who will emerge from the centre, the right and the rest of the left, or on their fiscal plans.

The 2027 budget will be a critical first step in containing France's fiscal deterioration. Whether that adjustment can be sustained and extended after the election remains much more uncertain.

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