Economic Research

Economic Briefing

France – The next prime minister resigns

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Dr. Ralph Solveen [AC]
Dr. Vincent Stamer [AC]

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Less than a month after his appointment, the French prime minister resigned today. The likely reason for this is that, just as his predecessors, he was unable to build a stable majority in parliament, which he needs for the urgently needed consolidation of public finances. It is difficult to predict what will happen next. However, there is currently no prospect of a solution to the political deadlock. And one thing is clear: the budget deficit will decline slowly at best, while the debt ratio will continue to rise for the time being.

Prime Minister resigns

This is a sad record: Sébastien Lecornu, appointed by President Macron less than a month ago, has already resigned as Prime Minister today. In recent days, it had already become apparent that he would receive little support from the left, meaning that a stable majority in parliament was not in sight for him. Most recently, there were also reports that the appointments to the most important cabinet posts announced yesterday were met with resistance from the Republicans, who threatened to leave the government. This would have further reduced Lecornu's backing in parliament.

Against this backdrop, Lecornu obviously saw no way of pushing ahead with the urgently needed consolidation of public finances. His two predecessors had already failed in their efforts to reduce the budget deficit and thus slow the rise in the national debt ratio due to resistance from parliament. Given the three roughly equal camps in parliament, the centrist parties, to which the last three prime ministers belonged, either need the support of Marine Le Pen's right-wing nationalist RN or the votes of at least part of the left-wing camp. However, negotiations with the Socialists, who belong to this camp, remained inconclusive last week due to the question of the pace of consolidation and the measures to be taken to achieve it – whether to focus on spending cuts or higher taxes. The talks were also complicated by the fact that the Socialists continue to push for a reversal of the pension reform.

What happens next?

Following President Emmanuel Macron's acceptance of the resignation today, Macron can appoint a new prime minister. After two centrist politicians have failed in quick succession, the choice is likely to fall on a moderate right-wing politician or a left-wing politician. The latter is the more likely scenario. A prime minister from the left-wing camp is likely to focus on higher taxes in the budget dispute and intensify conflicts with Macron's camp. The debate over the reversal of the pension reform and the reintroduction of the retirement age of 62 is also likely to intensify again under a left-wing prime minister.

Macron himself has been elected until 2027 and has so far rejected calls for his resignation – partly to prevent a political victory for the right-wing RN. According to polls, new parliamentary elections would not significantly change the balance of power either.

Overall, therefore, there are no signs of a resolution to the political deadlock, and a consensus on ambitious reforms of public finances remains a long way off. If reforms continue to fail in the future, the deficit ratio is likely to fall only slowly from this year's planned level of 5.4% in the coming years, or even rise again, especially as the burden on the budget from interest payments will continue to increase. According to our calculations, without any reforms, the French government's debt ratio could rise well above 150% in the next ten years.

Analysts

Dr. Ralph Solveen AC
Senior Economist
+49 69 9353 45622
ralph.solveen@commerzbank.com

Dr. Vincent Stamer AC
Senior Economist
+4969935345800
vincent.stamer@commerzbank.com

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DLZ - Gebäude 2, Händlerhaus	PO BOX 52715	225 Liberty Street, 32nd floor,	128 Beach Road
Mainzer Landstraße 153	30 Gresham Street	New York,	#17-01 Guoco Midtown
60327 Frankfurt	London, EC2P 2XY	NY 10281-1050	Singapore 189773
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000