



France at a crossroads

On Monday, the French parliament is expected to deny the Bayrou government its confidence. This threatens to cause an even greater increase in French national debt. A look at the possible scenarios suggests that efforts to bring about a noticeable improvement in French public finances will continue to fail to gain political majority support.

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Bayrou's leap forward is likely to fail

Next Monday, the French Parliament will hold the vote of confidence tabled by Prime Minister Bayrou, and anything other than a clear defeat for the government would be a big surprise. This is because the government does not have a majority in Parliament, and virtually all opposition parties have already announced that they will withdraw their confidence in Bayrou's government. This means that Bayrou is likely forced to announce his resignation after less than nine months in office.

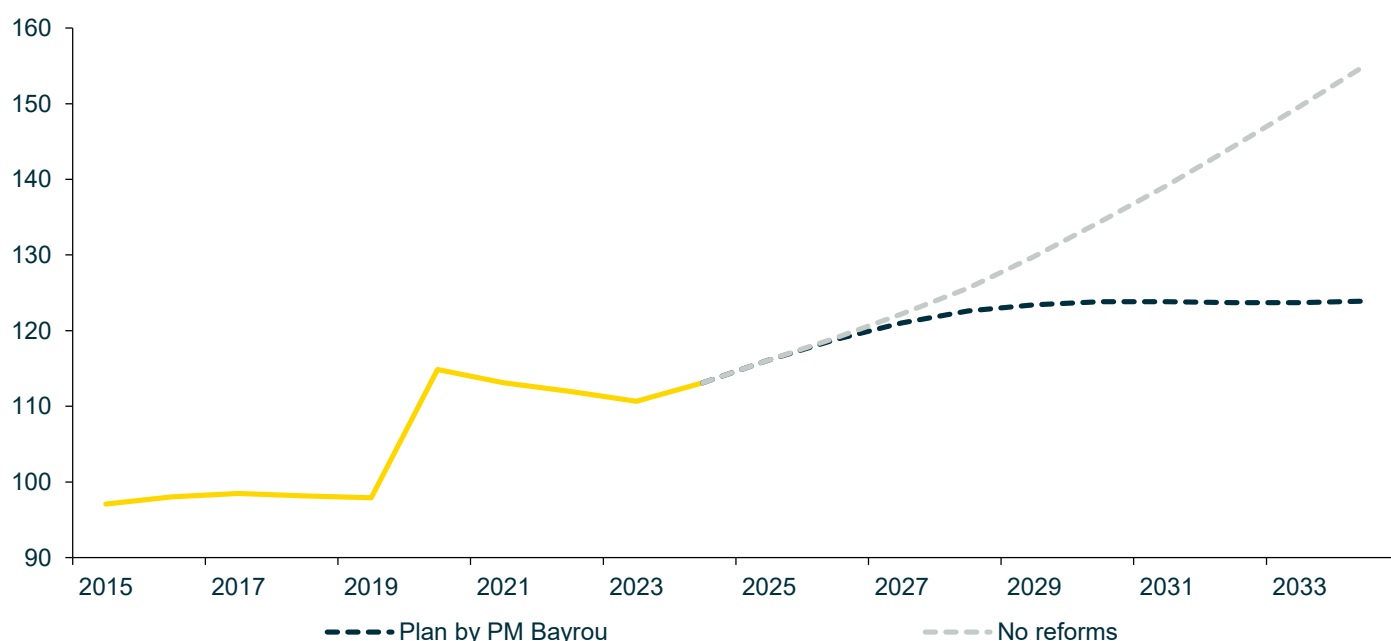
Without reforms, the debt ratio will rise sharply

Like his predecessor Michel Barnier in December 2024, Bayrou would then have failed due to a dispute over the budget for the following year and the reforms it contained. Having already pushed through initial measures in February, which are expected to reduce this year's budget deficit from 5.8% to 5.4%, the 2026 budget now aims to reduce the deficit ratio to 4.6% through savings and tax increases of more than €40 billion. Among other things, social spending would have been frozen for one year and two public holidays would have been scrapped. In the coming years, the deficit ratio was to be further reduced and reach the Maastricht ceiling of 3% at the beginning of the 2030s.^[1]

If these plans were implemented, our calculations show that the government debt ratio would stabilize at just over 120% in the coming years (Chart 1).^[2] However, even then, no significant decline in the already very high debt ratio would be expected. Instead, France would continue to have the third-highest debt ratio of all euro area countries after Italy and Greece.

Chart 1 - France' debt will skyrocket without further reforms

General government debt of France as a share of GDP, in percent, Commerzbank projections beginning in 2025



Source: Bloomberg Economics, Commerzbank-Research

The situation would be even worse if no consolidation of public finances was pursued. In that case, the deficit ratio would probably continue to rise in the coming years. In France, too, the proportion of pensioners is steadily increasing. Over the next ten years, the population aged 65 and over is likely to grow by more than one percent each year, while the working-age population remains constant. The government already has to support the pension



system with regular tax revenues, and this burden is likely to increase further in the coming years. Due to the resulting further increase in deficits, the French government debt would skyrocket unchecked in this scenario. In ten years, the debt ratio would be well over 150%.

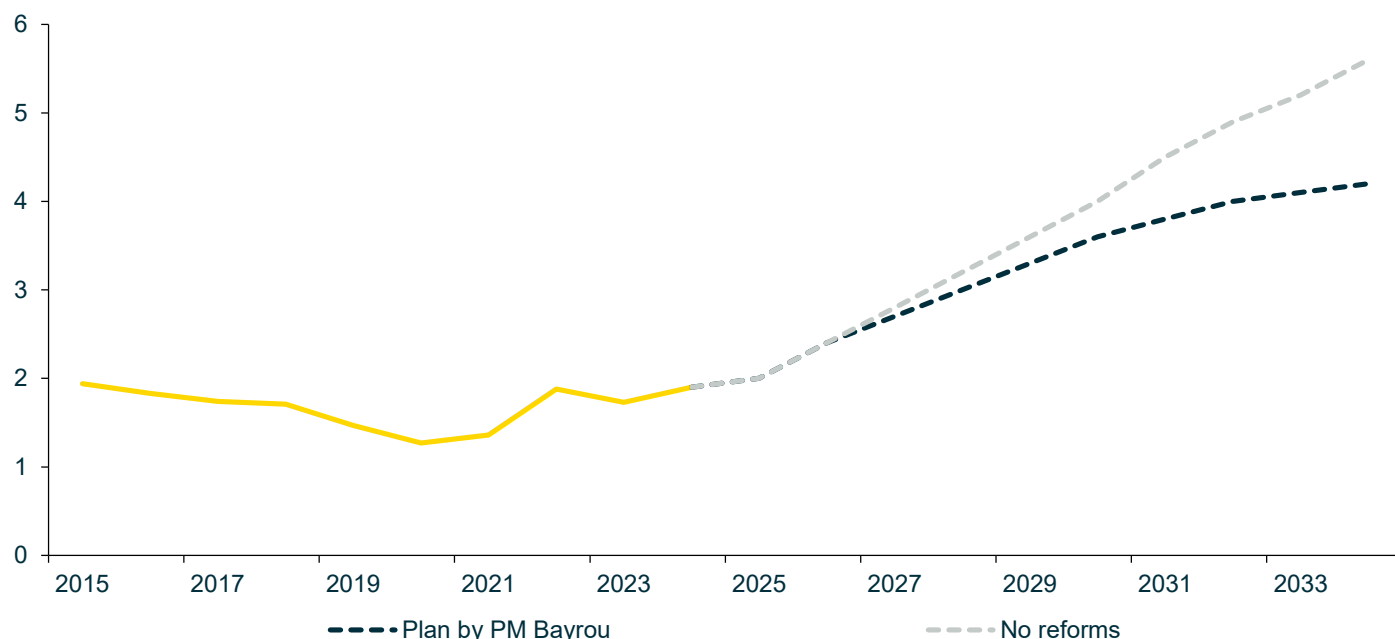
Consolidation is becoming increasingly painful

Our simulations show that it is becoming increasingly difficult to halt this ever-rising debt. Even if the current government's consolidation plan is implemented, the interest rate to be paid by the state on its debt would more than double each year in relation to its gross domestic product (Chart 2). This is because many government bonds will still have to be refinanced in the future by issuing bonds with significantly higher yield.

Without rapid consolidation, the burden of interest payments will increase even more sharply in the 2030s. This would necessitate ever deeper cuts in other areas of spending or ever greater tax increases in order to reduce the deficit to a level where the debt ratio at least stops rising. France is thus clearly at a real crossroads: will the rise in the debt ratio and the interest burden on the budget be halted in the coming years, or will it continue unchecked, moving France further and further away from a sustainable path? This will also depend on whether the political balance of power shifts in the foreseeable future.

Chart 2 - The interest payments of the French government rise

Effective interest payments of the France general government as a share of GDP, in percent, projections by Commerzbank starting in 2025



Source: Bloomberg Economics, Commerzbank-Research

Macron is likely to remain in office...

There is unlikely to be any change in the presidency for the time being. Emmanuel Macron has been elected until May 2027, and so far he has rejected all calls from the opposition for his resignation. From his point of view, another argument against resigning is certainly that the likely candidate of the far-right National Rally (Rassemblement National or RN), Jordan Bardella, would have a good chance of becoming the next president.[3] Macron certainly wants to prevent this from happening.

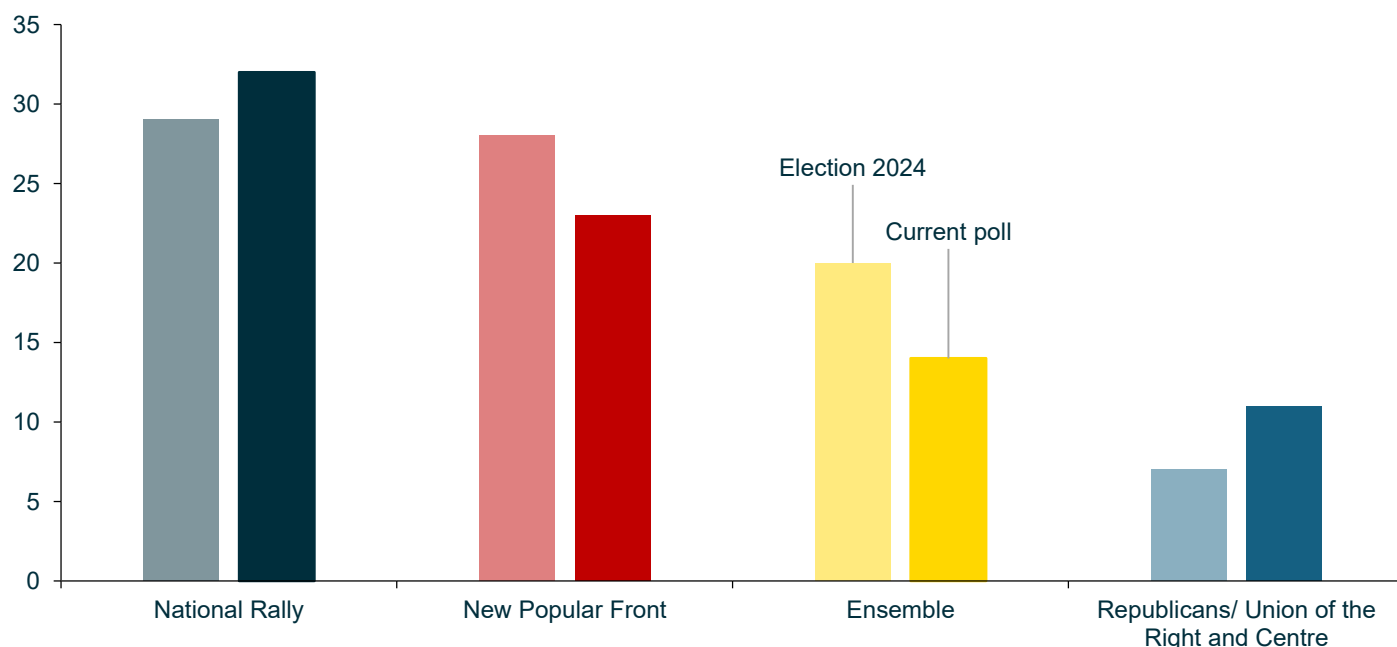
... and new elections probably only after the next presidential election

The composition of parliament is likely to be much more important for the further development of public finances. This is because the government needs a stable majority in the parliament for unpopular measures. At present, this is clearly not the case. Even a renewed dissolution of parliament and subsequent new elections would probably not change this. According to a survey conducted at the end of August, the balance of power in parliament is unlikely to shift significantly. Currently, the RN and the conservative Republicans would fare slightly better in the first round of voting than they did in the last election at the end of June 2024, while Macron's camp ("Ensemble") and the left-wing parties would probably lose votes. However, a stable majority is not in sight given the continuing weakness of the political center. Since Macron believes that the situation is likely to deteriorate, he will probably not dissolve parliament again.[4] Instead, the usual new elections will probably only take place after the next presidential election.



Chart 3 - Polls show little change in voting intentions since 2024 election

Voting intentions by party block for French national parliament, results of first round vote in 2024 and latest poll on August 29, 2025, in %



Source: Politico, Commerzbank-Research

Who will be next to try?

This means that Macron will likely appoint a new prime minister who will have to work with the current parliament. In principle, he has two options here: he could once again appoint a politician from the political center or the moderate right. This person would face the same problems as Bayrou and his predecessor Barnier, and there is little to suggest that this new head of government would be any more successful in this confrontation, especially since the approaching presidential election is unlikely to make the political camps any more willing to compromise.

The alternative would be to appoint a prime minister from the moderate left, which the relevant parties have been pushing for for some time. At first glance, this seems more promising. After all, Macron's camp and the left-wing alliance together have a majority in parliament, which could be increased by a few smaller groups from the political center. However, it is questionable whether Macron is prepared to take such a step, as his influence on domestic policy would further diminish if the prime minister came from a different political camp. Moreover, a "left-wing" prime minister, the Macron camp and the left-wing alliance would likely find it difficult to agree on measures to consolidate the budget. This is because the new prime minister would probably focus more on higher taxes for consolidation, if only to secure the support of large parts of his own camp. However, this is unlikely to be welcomed by Macron's camp, as it would contradict the economic policy pursued by Macron in recent years. And here, too, the willingness of the parties to compromise will certainly not increase the closer the next elections come.

Last resort: Eurobonds or the ECB?

The bottom line is that if Bayrou does indeed fail in Monday's confidence vote, a noticeable consolidation of public finances will become increasingly unlikely, at least until the presidential elections in 2027. Instead, France's debt ratio is likely to continue rising unchecked for the time being. A change of course is only likely if politicians are more or less forced to do so by a sell-off of French bonds and the resulting massive rise in yields.

This would in all likelihood also mean that France would violate the new European debt rules. As the country is already subject to an excessive deficit procedure, sanctions would actually have to be imposed. However, it is very unlikely that the EU Commission will actually push this through.

Instead, the discussion on Eurobonds – i.e., the partial financing of national budgets in the euro area through joint debt – is likely to gain momentum. Without a new crisis, however, it is unlikely that all countries will be prepared to do so. Ultimately, it will probably be up to the ECB to reduce the risk premium on French government bonds through purchases under the TPI (Transaction Protection Instrument) program, which was introduced several years ago. The ECB created this program several years ago to counter what it considered to be a fundamentally unjustified increase in risk premiums.



How are the financial markets reacting?

The looming collapse of the government and the lower chances of consolidating public finances have caused the risk premium of French government bonds to rise further. The French government now has to pay a higher interest for newly issued bonds than crisis-ridden Greece and the interest rate is only marginally lower than Italy's (see title chart). As it is generally expected that the French government will once again fail to consolidate its budget, this is unlikely to trigger any major movements on the bond market on Monday. At the end of the week, the spreads on French government bonds could even fall again slightly if, as we expect, the rating agency Fitch confirms its rating.

In the longer term, however, there is a risk of a further increase in the risk premium if no solution to the debt problem is in sight. In this case, a crisis-like escalation of the situation cannot be ruled out, which would then probably call the ECB into action.

[1] Éric Lombard, France's finance minister, recently reiterated that a deficit of 3%, as agreed with the EU, should be achieved in 2029. In fact, Prime Minister Barnier had presented a path for achieving this goal by 2029. However, his successor Bayrou has already missed this path with the budget passed for 2025. The same applies to the proposed budget for 2026. We therefore assume that even in the scenario of a successful Bayrou budget, the deficit target of 3% will not be achieved until 2031. ([back to text](#))

[2] For the methods used in this estimate and the assumptions made, see [here](#). ([back to text](#))

[3] The former chairwoman and presidential candidate, Marine Le Pen, is currently barred from running for public office because she has been convicted of embezzling public funds and is prohibited from standing for election or holding public office until 2029. ([back to text](#)).

[4] The RN would probably have the best chance of securing a majority in new elections if the other parties did not reach any agreements in the second round, which is entirely possible given the ongoing conflicts within the left-wing alliance. However, even an RN government would be unlikely to tackle the consolidation of public finances. This is because, at least before the last election, the party primarily announced measures that would burden the national budget rather than relieve it. In addition, the RN is likely to focus on the presidential election scheduled for spring 2027 at the latest, and it is unlikely to want to reduce its chances there by taking unpopular measures. ([back to text](#))



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