France: 2025 budget finally pushed through, but the risk of slippage is high

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France finally approved its budget for 2025 and the Bayrou government remains in place – for now

After months of political drama, the French budget for 2025 has finally been passed. François Bayrou, the prime minister, decided on Monday to invoke Article 49.3 of the French Constitution in order to pass the budget without a plenary vote in parliament. The 2025 budget is the result of a compromise reached by the joint committee of the Senate and the National Assembly. The use of Article 49.3 of the Constitution has opened the door to a motion of censure. La France insoumise (LFI, extreme left) submitted one. However, after extensive internal discussions, its partner in the left-wing alliance, the Socialist Party, decided to disassociate itself and not to vote in favour of this motion of censure. Despite their dissatisfaction with the text of the budget, the Rassemblement National (RN, far right) also decided not to support the motion of censure, believing that the costs of a vote of censure were too high. In the end, the rejection of the motion of censure means that the 2025 budget is adopted and François Bayrou's government remains in place.

François Bayrou must now trigger Article 49.3 again, for the social security budget. He is thus once again opening the door to a motion of censure. As a reminder, it was over the social security budget that Michel Barnier's government fell. This means that the risk of the Bayrou government falling remains, although at this stage the probability is low, as the RN and PS have not indicated any desire to support such a motion.

What's in the 2025 budget?

Firstly, the differences in terms of amounts between the current budget and the one proposed by Michel Barnier's government four months ago are not fundamental. Whereas Michel Barnier had public spending excluding interest charges at €1,698 billion, the new budget is based on €1,695 billion. Public spending will therefore represent 56.8% of GDP in 2025, compared with 56.6% in 2024 (compared with 56.5% forecasted for 2025 in Barnier's budget). Although certain efforts have been made to slow the rise in public spending, it will still increase by 1.2% in volume terms over the year, i.e. more than GDP. So, this is not really an austerity budget, but simply one that is less expansionary than in recent years.

In order to survive the confidence vote, Bayrou had to make concessions, mainly to the Socialists, which he estimated to cost €5 billion. As a result, debt reduction will take longer than expected. Public debt in the Maastricht sense is expected to reach 115.5% of GDP at the end of 2025, up from 112.7% in 2024, whereas Michel Barnier had hoped to bring it down to 114.7% by the end of 2025. The budget deficit is expected to fall to 5.4% of GDP, down from 6% at the end of 2024 and higher than the 5.2% expected by Barnier.

To cope with the continuing rise in expenditures and at the same time bring the deficit back into a better trajectory, the Bayrou government is counting mainly on higher taxes. The tax rate will rise to 43.5% of GDP from 42.8% in 2024. High-income earners and large companies will pay more taxes in 2025, the tax on financial transactions will be raised from 0.3% to 0.4% and a tax on airline tickets will be introduced, although it will be lower than initially proposed.

On the spending side, in order to ensure that the Socialists would not censure it, the government had to revise its plans. The fund to accelerate the ecological transition has been cut less than expected and the planned cuts in the number of teachers have been abandoned, while the rules on state medical aid have not been changed. Savings will nevertheless be required from housing policy, agriculture and the Ministry of Labour.

A major risk of slippage

The 2025 budget is therefore in line with France's promise to the European institutions to reduce the 2025 deficit to 5.4% of GDP. But the probability that the deficit will end the year higher than forecast is very high.

Indeed, the public balance is currently expected to be -5.449%. It would therefore take very little (€30 million of overspending out of €1,695 billion) to miss the target. On the expenditure side, the risk of a further slippage in local authority spending is high, given the municipal elections scheduled for 2026.

In addition, the budget has been drawn up on the basis of a very optimistic macroeconomic scenario. The government expects GDP to grow by 0.9% in 2025, which is higher than the consensus of economists (0.7%) and our forecast (0.6%). Given the poor data published since the start of the year, the risks of a downward revision to the growth forecasts are significant, which would lead to lower-than-expected tax revenues and make it very difficult to achieve the deficit target. The government hopes that passing the budget after months of uncertainty will boost growth, but we find this hard to believe. Spending is unlikely to catch up given the troubled global environment and the weakening labour market, which is weighing on household confidence. What's more, the latest data suggest that the momentum of French production will stall in the months ahead.

In the end, political uncertainty has been reduced somewhat thanks to the passing of the budget. But this does not mean that it has disappeared. The government still does not have a majority in parliament, and further motions of censure could follow later in the year.

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