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FRANCE

France's 2026 budget likely to pass

The 2026 budget should finally be passed. The deficit is expected to reach 5% and businesses will be asked to bear more of the burden



The 2026 budget presented by Prime Minister Lecornu looks like it will pass

France should finally have a 2026 budget

On Friday, Prime Minister Sébastien Lecornu presented a final proposal that makes concessions to most political parties. As a parliamentary vote still seems unlikely, the Prime Minister will likely push the budget through using Article 49.3 of the Constitution. Using this mechanism allows members of Parliament to introduce a motion of no confidence. However, the numerous concessions made by Sébastien Lecornu secured a promise from the left not to support such a motion. The centrist bloc and the right (LR) also appear eager to bring the budget marathon to an end and will not vote for a no-confidence motion either. Nobody likes this budget, so nobody wants to vote for it, but there seems to be enough MPs who agree not to bring down the government over it. A motion of no confidence is therefore likely, but it will almost certainly fail to reach a majority and will thus be rejected.

What does the budget, which now seems set to be approved, contain?

- Even though precise figures are not yet available, the aim is that the public deficit will

reach 5% of GDP in 2026. This is higher than the previously promised 4.6% in the structural plan submitted to the European authorities, but slightly better than the 5.4% recorded in 2025. Public debt, which reached 117.4% of GDP at the end of the third quarter of 2025, will continue to rise and could reach 120% of GDP as early as 2027, compared with 110% at the beginning of 2024.

- The need to forge a compromise has led to an increase in many public expenditures in order to satisfy everyone: a €50 monthly increase in the 'prime d'activité' for 3 million low-income workers, indexation of tax brackets, €1 student meals, additional funding for the 'green fund' to support ecological transition projects by local authorities.
- To finance this, significant efforts are required from the Ministries, which will have to reduce their nominal spending. The Ministries of the Armed Forces, Interior, Justice and Education are spared. Local authorities will contribute around €2 billion.
- But above all, as in 2025, businesses are the biggest losers. The corporate surtax on large companies (around 400 of them), which was supposed to last only one year, has been extended, which should bring in €8 billion. The CVAE (the tax on companies' value added), which was supposed to be reduced, will not be lowered.
- No large-scale reform is included in the budget.

Overall, the end of the French budget marathon is a relief for France, as it removes part of the uncertainty—which carried an economic cost. However, the final budget is far from business-friendly, and the tax increases are likely to weigh on investment and hiring in 2026, with a negative impact on economic growth.

The good news is that the prospect of early legislative elections is receding, and the government should remain in place for the moment. The bad news is that growth is expected to remain below its potential and below the eurozone average of France's European neighbours, while public debt continues to soar. And above all, none of the structural problems are addressed in the 2026 budget. It is already clear that discussions for the 2027 budget will be even more complicated.

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