

Macron's snap election: A tactical move?

Following the failure of Emmanuel Macron's ticket in the European elections and the resounding success of the Rassemblement National (RN), the French president has decided to call new legislative elections. Whatever the political reasons, this decision will not ease the economic challenges facing the country



French President Emmanuel Macron's approval rating has dropped to the lowest level since 2018.

Flash decision

The results of Europe's parliamentary elections have assumed national significance in France, with President Macron announcing the dissolution of parliament and calling for new legislative elections on 30 June (1st round) and 7 July (2nd round).

The outcome of the European elections in France was unequivocal. With 31.37% of the vote, the Rassemblement National (France's far-right party) came out on top. President Macron's ticket garnered just 14.6% of the vote. It was a clear victory for the far right, as the polls had predicted.

What's the strategy behind this announcement?

In the face of such an outcome, it was almost impossible for the president to deny the national implications of this result (both through the success of the RN and the weakness of his own score).

Nevertheless, the decision may be more tactical than it first appears.

1. On the one hand, the short campaign ahead will force the other parties to clarify their positions. Remember that in the current parliament, no political group has a majority (neither the president's party, the traditional parties, nor the RN). Until now, it has almost always been impossible to form stable coalitions on important reforms, forcing the government to go by force (using article 49.3 of the constitution, allowing it to pass laws without a vote in parliament unless parliament passes a no-confidence motion). The threat of a major RN parliamentary victory could move positions.
2. The president probably also wants to show that the vote in the European elections was a protest vote, giving the image of a stronger RN than is actually the case. Let's not forget that, contrary to the European ones, the legislative elections are held in two rounds and abstention reached over 48.5% during yesterday's vote. No doubt President Macron is counting on voter mobilisation and alliances between the two rounds to overturn yesterday's results.
3. Assuming, however, that the RN manages to win an absolute majority (which would require it to win over 200 seats compared with its current representation), President Macron would be forced to co-habit with a government drawn from the RN. If anything, history has shown that this works against the governing party. As for the RN, unaccustomed to power, perhaps the president wants to demonstrate that the RN is not the solution, though this remains a gamble.

Economic numbers don't care about political strategies

The next few days will probably provide a clearer picture of the political strategies of each party. But that doesn't change the reality of the figures:

- Despite slightly higher growth figures and an undeniable economic upturn, it will be difficult for the French economy to achieve 1.0% growth this year.
- This weak growth continues to weigh on public finances, which are already in a very poor state. As a reminder, according to the latest figures from the European Commission, the deficit stood at -5.5% of GDP last year, and is set to narrow only slightly this year (-5.3%) and next (-5.0%). As a result, the debt ratio remains on an upward trajectory. On June 19, with 10 days to go before the first round of voting, the Commission is likely, barring any major surprises, to place France under the Excessive Deficit Procedure, which will put public finances and the performance of the French economy at the heart of the electoral campaign.

Whatever the next government, it will not be able to deny these realities, or alienate the European institutions and financial markets: economic realities are more stable than political strategies.

Author

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information

purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.