

The likely fall of the French government will weigh on the economy

The French government is likely to fall on 8 September, bringing new uncertainty to the economy



French Prime Minister Bayrou holds a confidence vote today over the 2026 budget plan

Renewed political instability

France is entering a politically unstable autumn, with Prime Minister François Bayrou announcing on Monday that he will seek a vote of confidence in the National Assembly on 8 September. Stuck in a deadlock over discussions surrounding his proposals for the 2026 budget and threatened by a social movement calling for a “total blockade” starting on 10 September, François Bayrou has decided to resort to the confidence vote. On Monday, at a press conference called at short notice, the Prime Minister announced that on 8 September, he will deliver a new policy statement, after which he will ask for the confidence of the deputies.

Public finances at the heart of the problem

At the heart of the crisis lies the 2026 budget. Presented on 15 July, Bayrou's fiscal plan aims to reduce the public deficit from a projected 5.4% in 2025 to 4.6% in 2026, and to 2.8% by 2029. The plan includes €43.8 billion in savings for 2026, 80% of which would come from spending cuts: reductions in public sector hiring, freezing pension and tax bracket indexation, and even scrapping two public holidays.

The goal was for debt to reach 117.6% of GDP in 2026 and 117.2% in 2029, compared to 118.3% and 125.3% if no changes were made. But the plan has met unanimous opposition. All major parties have rejected it, citing its social impact and lack of political consensus. Bayrou's decision to tie the budget to a confidence vote is a last-ditch effort to force a reckoning on what he calls the "urgency and gravity" of France's fiscal situation.

The obstacle is almost impossible to overcome

Bayrou's centrist coalition holds just 210 of 577 seats in the Assembly. The far-right RN, far-left LFI, Greens, and Communists—together 264 MPs—have already declared they will vote against him. Only the Socialist Party could tip the balance, but early signals suggest they are unwilling to support the government without major revisions to the budget, which seems unlikely.

Unlike avoiding a no-confidence motion, winning a confidence vote requires an absolute majority. Even though a lot can change between now and 8 September, at present, the most likely scenario by far is that the Prime Minister will not win the vote of confidence and the French government will fall.

If Bayrou loses the vote, President Macron will face a difficult choice: appoint a new prime minister capable of forming a government in a fragmented Assembly, or dissolve Parliament and call new elections—something he has previously ruled out. Either path would inject fresh uncertainty into an already fragile political landscape.

The likely fall of the government will weigh heavily on the French economy. With only 0.8% GDP growth expected this year, the economy was already weak, and the political crisis adds a new layer of uncertainty. Drafting and passing a 2026 budget will become even harder, delaying fiscal consolidation and potentially worsening France's debt trajectory. The longer reforms are postponed, the greater the eventual adjustment will need to be.

In short, France's political instability is becoming an economic liability. Investors and institutions will be watching closely—not just for what happens on 8 September, but for what comes next.

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