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# France – Bayrou plays for time

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**The new French Prime Minister Bayrou only aims to reduce the deficit ratio to 5.5% this year, but is sticking to the target of reducing it to 3% by 2029. This means that France's high debt ratio is likely to continue to rise for the time being. Bayrou did not mention any specific consolidation measures. Bayrou is also playing for time with the pension reform, which was the focus of discussion before his speech, by allowing the social partners to negotiate this once again. This should allow the new government to survive the vote of confidence requested for Thursday. However, the crucial test is still to come when it comes to the specific measures for budget consolidation and the decision on the pension reform.**

In a speech to the National Assembly today, the new French Prime Minister Bayrou outlined the foundation of his planned policy. Unsurprisingly, in addition to immigration, one focus was on restructuring the state finances. After all, France's debt ratio (i.e. its national debt in relation to the country's economic output) is now well over 100%, and the budget deficit last year was probably equivalent to more than 6% of gross domestic product and was therefore twice as high as actually permitted under European rules.

## Higher deficit target for 2025 than Barnier

After his predecessor Barnier failed in his attempt to reduce the deficit ratio to 5% with the help of spending cuts and tax increases, Bayrou only wants to reduce it to around 5½% this year, although the government has also revised its growth expectations downwards from 1.1% to 0.9%. However, the government is sticking to the target of reducing the deficit ratio to 3% by 2029. Nevertheless, France's debt ratio would continue to rise in the coming years.

Bayrou did not provide any details on planned measures to reduce the budget deficit. However, he promised to protect companies from an "exponential" increase in their taxes and duties. Instead, he wants to "make life easier" for them. In addition, the cuts to medical care planned by Barnier are not to be pursued any further.

## Bayrou is playing for time on pension reform

Bayrou is clearly playing for time on the issue that was at the center of the discussion before his speech and could decide the short-term fate of his government: The pension reform of 2023, which in particular provides for a gradual increase in the retirement age from 62 to 64. Both the left-wing party alliance "New Popular Front", including the Socialists and Greens, and the right-wing populist Rassemblement National (RN)

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categorically reject this and have threatened to bring down the government if it does not withdraw the reform. Bayrou now wants to task the social partners with jointly proposing “improvements” to the reform. According to Bayrou, there are no taboos. For example, the raising of the retirement age to 64 could be changed if the corresponding savings were made elsewhere.

### **Government likely to remain in office for the time being**

Bayrou is likely to have secured the survival of his government for the time being. Both the Socialists and the RN will probably not vote against the government in the confidence vote requested by the extreme left on Thursday. However, it is difficult to predict how long this toleration of the government will last. The RN wants to wait and see what further measures the government takes, and the Socialists also want to negotiate the budget for 2025 first. However, the fate of the last French government shows how quickly the toleration of a government can come to an end.



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