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# France – PM Barnier about to fall?

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**In the coming days, French Prime Minister Barnier and his government could be toppled by a vote of no confidence. The formation of a new government with stronger support in parliament is likely to be very difficult. This is because the political center does not have a majority and a compromise between it and the more moderate parties on the left is likely to be difficult. All of this suggests that the consolidation of the French budget will be very slow, especially as there is unlikely to be any noticeable tailwind from the economy.**

## Vote of no confidence against Barnier?

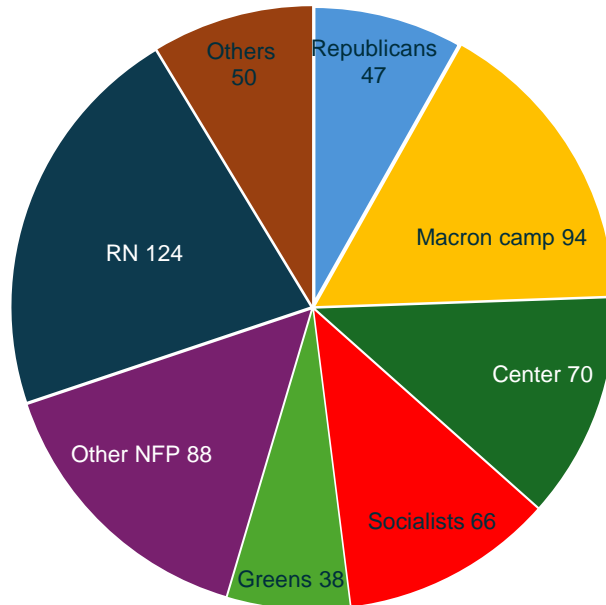
A new government crisis could erupt in France in the coming days. Today, Prime Minister Barnier is likely to invoke Article 49.3 to enact the law on the financing of social security [1]. The National Assembly can only prevent this by passing a vote of no confidence in the government. The “New Popular Front” (Nouveau Front Populaire, NFP), a coalition of several left-wing parties, is likely to do so. It remains to be seen whether the right-wing populist Rassemblement National (RN) – Marine Le Pen’s party – will join this vote or continue to tolerate the government. As the tone between the government camp and the RN has recently become noticeably more tense, it is quite possible that the RN will vote against the government in Wednesday’s vote of no confidence and thus topple it. Together with the NFP, the RN has a majority in the National Assembly (Chart 1).

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**Chart 1 - Difficult majority situation in the French National Assembly**

Distribution of seats in the French National Assembly, NFP: Nouveau Front Populaire (New Popular Front), which also includes the Socialists and the Greens, 577 in total



Source: National assembly, Commerzbank Research

**New elections only possible again in the summer**

In view of the difficult majority situation in parliament, one obvious idea would be to hold new elections to clarify the situation. However, according to the French constitution, this is only possible one year after the last elections, i.e. next summer. It is also questionable whether new elections would actually lead to a significant change in the balance of power in parliament.

**A government of the left?**

At present, the RN and NFP together have a majority in parliament, whereby a joint government is ruled out due to political differences. As the centrist parties – i.e. the Macron camp and its allies, including the Republicans – reject cooperation with the RN, and cooperation with the more extreme part of the NFP is hardly possible in terms of content, the only remaining option would be cooperation between the center-right – i.e. the current government camp – with the Socialists and the Greens, probably under the leadership of a politician from the moderate left. However, this would require these two parties to leave the NFP, which they have so far refused to do. In addition, there are also major differences in terms of content between the Greens and Socialists on the one hand and the current government camp, and the Republicans in particular, so that such a government could never be sure of its very narrow majority.

**Consolidation of public finances delayed, ...**

The developments of the past few days show one thing in any case: there is currently no majority in Parliament for the first step towards a lower budget deficit planned by Barnier. Under pressure from the RN, Barnier has already backed away from the planned increase in electricity tax. The RN is also calling for pensions to be adjusted in line with inflation, which is not provided for in the law under discussion today, and for cuts in subsidies for medicines to be reversed. The government has estimated the additional expenditure or loss of revenue this would entail at EUR 10 billion, which corresponds to one sixth of the targeted consolidation of EUR 60 billion.

Even a new coalition government consisting of the center-right parties and the Socialists and Greens is likely to have difficulties agreeing on consolidation on this scale. While the Socialists and Greens would probably push for tax increases – the NFP already pushed through a wealth tax in parliament a few weeks ago – these are largely rejected by the current government camp, which is why Barnier’s plans have also been criticized from these ranks.

Whether it will ultimately be possible to form a new government with a broader parliamentary base and what measures it will agree on to reduce the budget deficit is difficult to predict at present. However, one thing is very likely: the deficit in the French national



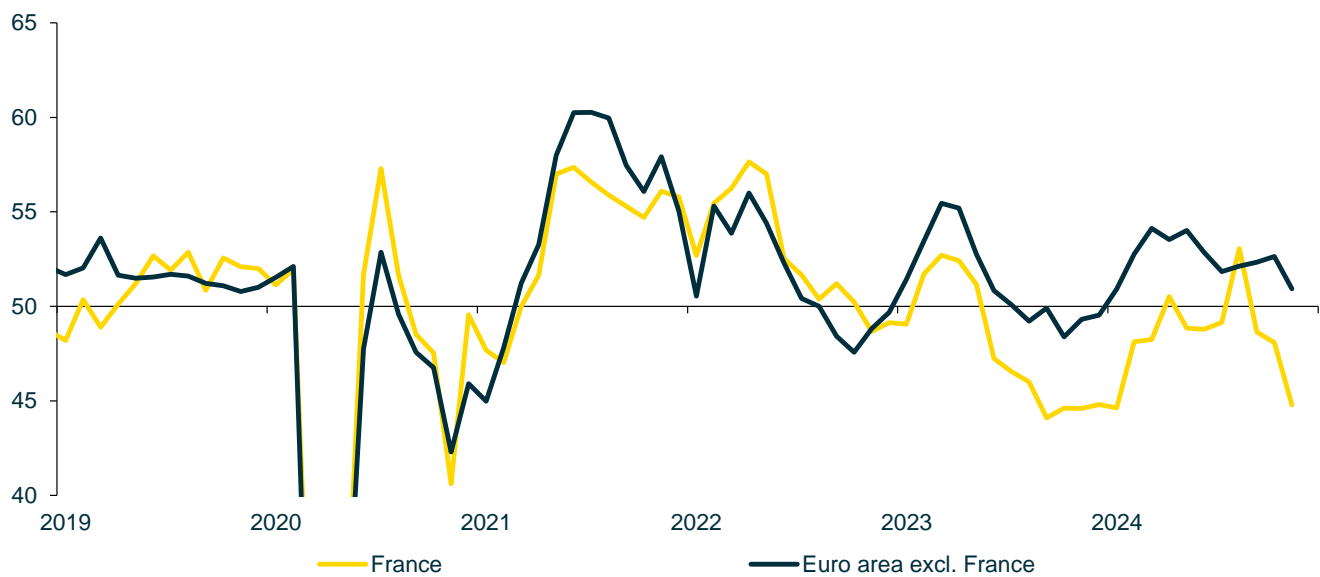
budget is likely to fall more slowly than currently planned by the Barnier government. This applies even if Barnier remains in office. In the longer term, this will probably only be the case if further concessions are made to the RN.

**... especially as the economy is weakening**

Another argument for a slower decline in the budget deficit is the fact that the economy has recently been sending out rather unfavorable signals. It is true that the economy grew quite strongly in the third quarter with an increase of 0.4% compared to the previous quarter. However, the recent slump in the composite purchasing managers' index for manufacturing and services (Chart 2) at least puts a question mark behind the hope that the government can rely on the tailwind of a good economy to restructure public finances.

**Chart 2 - French PMI significantly weaker recently**

Composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

[1] Article 49.3 of the French Constitution allows the Prime Minister to link the passing of a law to the continuation of the government. In this case, the parliamentary debate on this law is ended and the MPs then have 24 hours to table a vote of no confidence. This requires a quorum of ten percent of parliamentarians. The vote on that motion takes place 48 hours later. [\(back to text\)](#)



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