IAI commentaries
No. 26|05 (January 2026)

Last Tango in Paris: As Macron's Presidency Is Over, What's Next?

by Matteo Bursi

- The government of Sébastien Lecornu, thanks to the support of the Socialists, managed to "unlock" the French 2026 budget law.
- To remain in charge, the government made significant concessions to the Socialist Party, which worsen France's already challenging fiscal situation.
- In order to break this political and economic deadlock, new presidential elections are necessary.

On Monday, 19 January, after weeks of discussions with parliamentary forces, French Prime Minister Sébastien Lecornu announced his intention to **invoke Article 49.3 of the Constitution in order to enact the 2026 budget law**. The use of this provision – which Lecornu had ruled out in past months – allows the government to "bypass" a vote in the legislative chamber while simultaneously granting Parliament the possibility to vote on a motion of no confidence against the executive; such a motion was promptly presented by *La France Insoumise* (LFI) and the *Rassemblement National* (RN). Unlike what happened with Michel Barnier – who was ousted in 2024 precisely following the use of Article 49.3 –, **Lecornu managed to "survive" the motions from LFI and RN**, as the Socialists did not support the action taken by the other opposition forces. This indirect

Matteo Bursi *is a Research Fellow in the 'Multilateralism and global governance' programme at IAI.* m.bursi@iai.it

support provided by the Socialist Party (*Parti Socialiste*) to the government is not surprising and is the result of a series of measures adopted by Lecornu's cabinet in recent weeks/months. These concessions prevent another change of occupant at Matignon but, it is reasonable to say, do not help correct the (dangerous) trajectory followed by the French economy.

The budget law drafted by Lecornu's cabinet caters to several "priorities" of the Socialist Party

A compromise to survive

The budget law drafted by the government caters to **several "priorities" of the Socialist Party**. Among them, are the decision to reduce the cost of meals for students to 1 euro, the creation of additional jobs within the school system and increased investment in social housing. Other measures appreciated by the Socialist Party include the indexing of tax rates to inflation – a step that prevents the so-called fiscal drag –, an increase in resources for low-income workers and the maintenance of the current income tax deduction for retirees. On the revenue side, still in an effort to appease progressives, the government has focused in particular on the corporate sector, for example by renewing the extra taxation on the profits of large companies and scaling back certain previously announced tax cuts – decisions that, unsurprisingly, **provoked negative reactions from business representatives**.

To these concessions made by Lecornu to the Socialist Party, another one from a few months ago – perhaps the most significant – should also be added: the **suspension of the pension reform** adopted by the Borne government in 2023. Indeed, the full implementation of this measure – which entails an unpopular (but unavoidable) increase in the retirement age – has been postponed by the current administration until January 2028, after the next presidential elections have taken place.

The growing debt burden

The compromise reached on the budget law is expected to lead in 2026 to a modest reduction in the deficit-to-GDP ratio, which would remain among the highest in the Eurozone. According to government forecasts, the **deficit is expected to fall** from 5.5-5.4 per cent in 2025 to 5 per cent this year – a figure well above the 3 per cent threshold established by the Maastricht Treaty and also higher than the **4.7 per cent "submitted" just a few months ago** by the government to the European Commission. The debt-to-GDP ratio, on the other hand, is expected to rise from 117.7 per cent (recorded in the third quarter of 2025) to 118.2 per cent – nearly double the 60 per cent limit set by Eurozone rules and well above the **98 per cent recorded at the end of 2019** (the year before the outbreak of the Covid-19 pandemic). Against this backdrop of expansionary fiscal policy, GDP growth is expected to remain limited, **estimated by various sources at around 1 per cent** – below the European average.

These figures highlight a complex macroeconomic situation that inevitably affects the perceived risk associated with French public debt securities. In this regard, in recent months, several rating agencies have downgraded Paris's finances, and the **OAT-Bund spread** has reached levels comparable to those of Italian government bonds. In this challenging context, however, French debt interest rates remain low in absolute terms. This is largely due to the current economic situation in the Eurozone (characterised by contained inflation) and the widespread belief that the European Central Bank could intervene, if market tensions arise, to prevent a rise in sovereign bond yields. Nonetheless, assuming that this situation carries no risks would be misleading. Indeed, the **Transmission Protection Instrument** – which allows the ECB to act as a Lender of Last Resort in favour of a member state – can only be activated if the country *de quo* complies with the Eurozone economic governance framework: given France's current macroeconomic and political conditions, in this scenario, such compliance cannot be taken for granted.

A fragmented political landscape

In order to successfully reorient the trajectory of French public finances – and to implement the unpopular measures necessary to achieve this goal – Paris would need a stable government. However, since the legislative elections of 2024, the Parliament has been divided into three blocks of roughly equal weight, showing little willingness to engage in dialogue or assume shared responsibilities. In particular, the two most extreme wings of Parliament, *La France Insoumise* and the *Rassemblement National*, appear to be solely focused on the upcoming presidential elections and are limited to pursuing their own partisan political agendas.

The inevitable consequence of this is the formation of fragile minority governments led by centrists, which must periodically make concessions to the Republicans and Socialists with the aim of surviving. In this scenario, it is unsurprising that debt continues to grow and that political parties persist in what François Bayrou, the previous Prime Minister, has described as a "**fatal tango**" pushing France towards "the edge of the precipice". A precipice that, in the months ahead, will likely loom even closer, since in the run-up to the 2027 presidential elections, the parties in Parliament will almost certainly be tempted to advance further targeted spending requests to boost their electoral support.

Time to turn off the music

Since 2024, when the Parliament took on this fragmented configuration, calls for early presidential elections have been multiplying – most recently, **even from former Prime Minister Édouard Philippe**, an ally of Macron who openly aims to succeed him. The occupant of the Élysée Palace, whose personal approval ratings have been steadily declining, has so far held the line, partly for personal reasons (Macron cannot run for a third consecutive term) and partly in the hope of reversing an electoral trend that, according to polls, has seen the **Rassemblement National surpass 30 per cent of the voting intention**. In this complicated economic context, however, the departure of the politician from Amiens can no longer be postponed; only with such a change can France attempt to overcome

> *In order to successfully reorient the trajectory of French public finances, Paris would need a stable government*

this deadlock, entrusting a new political figure – supported by solid parliamentary backing – with the responsibility of steering the country out of stormy waters. And once new presidential elections are called, in order to avert the rise to power of the *Rassemblement National* or *La France Insoumise*, the moderate forces (*Les Républicains* and the centrist parties) should converge on a single candidate (for example, the above-mentioned Philippe) from the very first round, replicating a unity that, in recent years of parliamentary activity, has already repeatedly manifested itself in practice; failing to act in this way, according to opinion polls, there would be a serious risk of witnessing a runoff between Jordan Bardella (or Marine Le Pen) and Jean-Luc Mélenchon.

Navigating on sight, seeking ad hoc compromises in this fragmented parliament, only worsens the already complex state of French public finances and inflates the support (and the chances of reaching the Presidency) of the populist forces that the government seeks to keep away from power.

29 January 2026

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*AffarInternazionali*), two book series (*Trends and Perspectives in International Politics* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via dei Montecatini, 17
I-00186 Rome, Italy
T +39 06 6976831
www.iai.it

Latest IAI Commentaries

Editor: **Leo Goretti** (l.goretti@iai.it)
ISSN 2532-6570