FOCUS – FRENCH ELECTIONS

A PRIMER ON FISCAL MEASURES DEBATED IN FRENCH ELECTIONS: MOST CANDIDATES COMMIT TO RESTORING FISCAL SUSTAINABILITY, WITH UNEVEN CREDIBILITY

This note offers an overview of the measures proposed by presidential election candidates from the main political groups, namely Marine Le Pen, Jean-Luc Mélenchon, Édouard Philippe, Raphaël Glucksmann, David Lisnard and Bruno Retailleau. The focus here is on their proposals for public finances and pensions[1]. Overall, budget plans go in the right direction but rely on overly optimistic costs and revenue assumptions. However, in several cases a proposed "golden rule" enhances credibility. The proposals regarding pensions improve on the status quo in most cases, including, in some cases, by introducing a capitalisation pillar. However, most safeguard costly features of the current system, without enough measures to offset their impact fully.

Proposals on Public Finances: Optimistic assumptions in general, but a "golden rule," proposed by a majority of candidates, could boost the credibility of the fiscal path.

Candidates	Golden rule	Fiscal deficit target for 2032	Spending reduction target	Taxation	Analysis (BNP Paribas)
Marine Le Pen *Rassemblement National*	**Yes** *A fiscal deficit at least 0.5 pp below the threshold required to stabilise the debt ratio (about 3% of GDP), as long as the public debt-to-GDP ratio exceeds 60%. A fiscal adjustment of 0.5 pp per year is required if the fiscal deficit exceeds the deficit level required to stabilise the public debt-to-GDP ratio by more than 1 pp.*	**2.2% of GDP** *Target of EUR193 bn in savings (of which 53 bn is allocated to tax cuts and 140 bn to the reduction of the public deficit)*	Public spending reduced to less than 50% by 2032, from 57% of GDP in 2026 (an "optimistic" estimate, including 28 bn from streamlining public spending, 11 bn from contributions to the European budget, and 15 bn from immigration)	Tax increases estimated at nearly EUR20 bn (notably the tax on share buybacks) Tax cuts financed by spending cuts: estimated at EUR53.2 bn; of which 30 bn by 2027, including the VAT cut on energy. The programme also includes the elimination of production taxes	**Higher fiscal deficit likely without further consolidation measures.** The impact of the measures is overestimated and the growth assumption of 1.7% per year too optimistic. The fiscal deficit should reach 6% of GDP in 2027 and remain between 6% and 6.5% of GDP thereafter (from now until 2032). Further consolidation measures will therefore be necessary if a "golden rule" is adopted.
Jean-Luc Mélenchon *La France insoumise*	**No**	Stabilising debt/GDP within the term (five years).	No objective to reduce spending, instead new spending deemed "urgent" (starting in 2027, totaling 81 billion euros): EUR37.5 bn for income (civil servant pay adjustments, inflation indexation, increases in pensions and benefits), EUR22.2 bn for public services, EUR10 bn for environmental planning, and EUR12 bn for social spending. Proposal for debt relief through a freeze or cancellation of French sovereign debt held by the ECB	Additional revenue (EUR106.4 bn from 2027): EUR54 bn from wealth and capital gains (inheritances, the Zucman tax, increased wealth tax, elimination of the flat tax), EUR 22 bn from lower tax breaks, EUR 20 bn from corporate taxes	**Surge in fiscal deficit likely.** The impact of revenue measures is largely overestimated. The fiscal deficit would reach 10% of GDP in 2027 and 12% in 2028. Negative effects are likely (capital flight). Market reaction is likely and should trigger a constrained consolidation accompanied by spending cuts
Édouard Philippe *Horizons*	**Yes** *The rule would be written into the Constitution and adopted by referendum at the start of the term to stop parliamentarians from pushing the deficit past the EU's 3% threshold.*	**< 2.5% of GDP**	EUR150 bn in savings. 50% on social spending (pensions, Reducing the number of RSA recipients, imposing three waiting days for sick leave, and a reduction in the duration of unemployment benefits to 12 months (currently 18) for those under 50), 25% on the central government and local authorities. 25% will come from higher revenues (from country's economic recovery). A goal of not replacing 250,000 civil servants who retire; merge, eliminate, or privatise 30 government agencies.	A reduction of EUR50 bn in production taxes, financed by a reduction in business subsidies of the same amount. A commitment not to create any new taxes during the term of the mandate	**Credible targets.** The impact of the measures is probably slightly overestimated, particularly the 25% of the adjustment that should come from higher growth and job creation. However, the golden rule should mean that additional measures would be implemented in case of a disappointing growth impact.
Raphaël Glucksmann *Social Démocrate*	**NA**	**NA**	Goal of redirecting a portion of spending, particularly the EUR211 bn in subsidies and tax exemptions for businesses (candidate's estimate)	Increase in inheritance taxes (+EUR15 bn) to finance lower social security contributions	NA
David Lisnard *Nouvelle Énergie*	**Yes** *Ultimately, borrowing would be permitted only to finance an investment (the operating budget would have to be balanced)*	Timeline unknown, **but the final target would be to have a balanced operating budget**	EUR200 (documented) to 300 (target) bn in public spending cuts. Savings, first year: EUR80 bn. Bring down the share of public spending in GDP to 50% (-7pp) through a large reform of policymaking processes (decentralisation, cutting 10% of the civil servant positions;	Cutting the CSG on earned income from 9.2% to 6.6% to raise take-home pay directly.	More details are needed.
Bruno Retailleau *Les Républicains*	**Yes** *Put the public finance programming law into the constitution. Any draft finance law should thus comply with the trajectory defined in this law*	**2.2% of GDP** Target of EUR197 bn in savings (146 bn devoted to reducing the public deficit, 51 bn to tax cuts)	Government spending: EUR96 bn in savings (from not replacing 400,000 civil servants) Reduction of administrative agencies: EUR7.5 bn Social spending: EUR91 bn in savings (of which 42 bn on pensions and 14 bn on unemployment insurance)	EUR51 bn in savings would be allocated to reducing the tax burden (30 bn for businesses, 21 bn for households)	**Proposal** balanced between a constraint (the "golden rule") and measures that will generate credible savings (particularly on pensions), under a credible growth assumption (1% per year through 2032).

KEY TAKEAWAYS

- The bulk of the candidates target a below 3% of GDP fiscal deficit by 2032. The budget proposals are often optimistic (or lack sufficient detail), which is a common feature of previous presidential campaigns (*e.g.*, in 2017, E. Macron proposed reducing public spending to 50% of GDP by 2022).

- A majority of candidates propose a "golden rule", including the National Rally (Rassemblement national). A rule would lend credibility to their fiscal path (if the planned measures are insufficient, the golden rule would require them to adopt additional measures, as it was done *e.g.* in Germany under the debt brake).

- The budget announcements made by several candidates — including the National Rally (RN) and La France Insoumise (LFI) — are expected to worsen the fiscal deficit in 2027. According to our calculations, a one-year delay in fiscal consolidation would result in a 2 pp increase in the public debt-to-GDP ratio by the end of that consolidation (in 2032, debt would reach 126.5% of GDP instead of 124.5% without this delay), and even more if the deficit or interest rate conditions were to deteriorate significantly.

1 Other growth-critical policy proposals will be reviewed in thematic deep-dives to be published over the coming months.

- In the absence of a golden rule, LFI's commitment to fiscal consolidation remains uncertain. The candidate's promises are very costly, leading to a clear increase in the fiscal deficit. Some of the proposed measures are confiscatory in nature and would likely shrink the tax base. The candidate proposes no binding safeguards to ensure that the deficit does not spiral out of control. Furthermore, his proposal to write off part of the public debt held by the ECB could be interpreted as a way to avoid having to undertake fiscal consolidation efforts to stabilise public debt (not to mention its feasibility).

Pension costs are the main obstacle to fiscal consolidation. Most candidates propose measures to mitigate them, some much more than others.

Candidates	Retirement age	Contribution period	Possibility of early departure	Capitalisation	Indexation	Costs/ savings analysis (BNP Paribas estimates)
Marine Le Pen *Rassemblement National*	**Main: 62 years** *Repeal of the 2023 Reform* ***Full retirement benefits: 67 years***	**40 (for careers started before 20 years old) to 42 years (for careers started from 23 years old).** *For each quarter, validation is achieved by completing at least half time work (227 hours against 150 hours currently). At least 40 years of contributions will be required to retire before reaching the age for full retirement benefits (which will remain at 67).*	60 years for individuals who started their career before the age of 20 (with 40 years of contributions); this number of years increases gradually depending on the age at which they entered the workforce, to reach 42 years of contributions at age 62.	**Yes** A mandatory capitalisation pillar would create a EUR 900 bn fund (initially for those aged 52 or younger) in one generation, funded with the remaining EUR25 bn of the FRR (pension reserve fund) and financed by repurposed existing contributions (1% housing levy, the social housing fund and 50% of the contribution for professional training). The pillar should generate EUR 12 bn/year (4 6% return), with a deposit of approximately EUR500 each year, without any additional deductions. This would result, on average, in accumulating 81,000 euros by the end of a full career started in 2028.	**Yes** Full	**A net cost of EUR 90 bn by 2032 according to a first estimate (o/w 2/2 from full indexation).** The repeal of the 2023 reform (cost of the age-based measure and the reduction in the contribution period) should carry a EUR 90bn cost. Mitigating measures would save about EUR 60 bn (minimum contribution period needed to retire (40 years), increased discount (2.5% per quarter missed), and the cap at 4 quarters accumulated for unemployed people). Full indexation of the pensions for the next five years should entail a cost (EUR 60 bn).
Jean-Luc Mélenchon *La France insoumise*	**Main: 60 years** (Repeal of the 2023 reform followed another decrease) ***Full retirement benefits after 40 years of contribution***	**40 years**	**Yes**	**No** End tax advantages for capitalisation-based pensions and use the savings to fund the pay-as-you-go system.	**Yes** Full	**Costs of EUR 210 bn by 2032**, but would increase thereafter (the retirement age would not be raised to 60 immediately). Retiring at age 60, instead of the current age of 62 years and 9 months, would cost nearly EUR 60 bn per year. Full indexation of pensions would entail a cost estimated at EUR 60 bn
Édouard Philippe *Horizons*	**Main: 65 years** *Restoration of the 2023 reform, followed by another increase* **Full retirement benefits: 67 years**	**45 years**	**Yes** One in three French people could retire before age 65 (unchanged at 55 in the case of a disability, 60 in the case of permanent incapacity, and 62 in the case of reduced capability), as do early retirement for long careers.	**Yes** Expand to all employees defined-contribution corporate pension plans and establish a retirement savings plan (PER) for every French citizen, with a 500-euros contribution from the government upon entering the workforce.	**No mention**	**Savings of EUR 60 bn by 2032,** with the restoration of the 2023 reform (compared to the scenario in which the reform is frozen at age 62 years and 9 months). The delay in implementing the 2023 reform means that a retirement age of 64 would be reached in 2032. The transition to age 65 would therefore take effect later, by 2036, if the pace of the 2023 reform is maintained (one additional quarter per year).
Raphaël Glucksmann *Espace Social Démocrate*	**Main: 62 years** *Repeal of the 2023 Reform* *Full retirement benefits: no mention*	**43 years**	**Yes** Hardship is the central criterion. (e.g., some senior executives in large administrations and companies would work longer)	**No** Advocate of the pay-as-you-go system	**Yes** Full	**Costs of EUR 120 bn by 2032. EUR 60 bn is** resulting from the repeal of the age-based provision in the Borne reform, while maintaining 43 years of contributions (a position advocated by the Socialist Party). This cost could be reduced by extending the contribution period (a savings of 7.5 bn per year for each year the contribution period is extended). Full indexation of pensions to inflation should entail a cost (EUR 60 bn)
David Lisnard *Nouvelle Énergie*	**Main: 65 years** Full retirement benefits: no mention	**43 years and 6 months**	Basic pay-as-you-go pension paid unconditionally from 65, with a minimum old-age pension of EUR 1,000 per month.	**Yes** Mandatory, collective and universal, with about 40% of contributions moving into individual savings accounts. Savings managed by private firms or by default through a public fund. Transition would take about 8 successive tranches, reaching about EUR 116 bn of capitalisation, or about 40% of total pensions.	**Yes** Only for pensions below EUR 2200	**Savings of EUR 40 bn by 2032** estimated at this stage: EUR 60 bn from the pension reform, assuming that the transition to 65 years old should be gradual (64 years old to be reached in 2032 and 65 years old in 2036); indexation of the lower pensions should entail a cost (EUR 20bn)
Bruno Retailleau *Les Républicains*	**Main: 65 years including *for full retirement benefits***	**43 years**	**Minimum retirement age of 63** (7% pension reduction per year). People with long careers could retire at age 63 with full benefits (contribution exemptions to encourage them to work until 65).	**Yes** For new entrants, with a return set at a minimum of 4%, representing approximately 25 to 30% of their pension. One option is a 1% contribution on gross salary, split between employee and employer.	**No mention**	**Savings of EUR 42 bn** (candidate's estimate). The timeline for implementing the reform is unknown, which complicates the analysis. The candidate wants to push through his own reform (rather than adopting the 2023 reform), which could delay it.

KEY TAKEAWAYS

- The candidates' positions on pensions reflect real, underlying progress, particularly in order to mitigate the impact of the repeal of the Borne reform (retirement age back to 62 years old) through savings on other parameters (contribution period, or tightened conditions such as an increased discount per missing quarter).
- The prospect of fully indexing pensions, as proposed in several candidates' platforms, would be very costly (nearly 2% of GDP).
- Both measures (lowering the retirement age and full indexation) undermine the system's long-term financial stability. Everything else equal, they also reduce the size of the active labour force, a headwind to growth and fiscal sustainability.
- Édouard Philippe, David Lisnard and Bruno Retailleau advocate raising the retirement age to 65, and Édouard Philippe also calls for extending the contribution period to 45 years (while maintaining more favourable treatment for long careers and physically demanding jobs). The savings associated with extending working careers represent a significant contribution to the announced fiscal consolidation effort.
- With regard to capitalisation, there are marked differences between the candidates who currently rule it out (J.L. Mélenchon, R. Glucksmann) and the others, who have all made proposals along these lines (including the RN).

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