



# Elections France Scenario

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June 2024





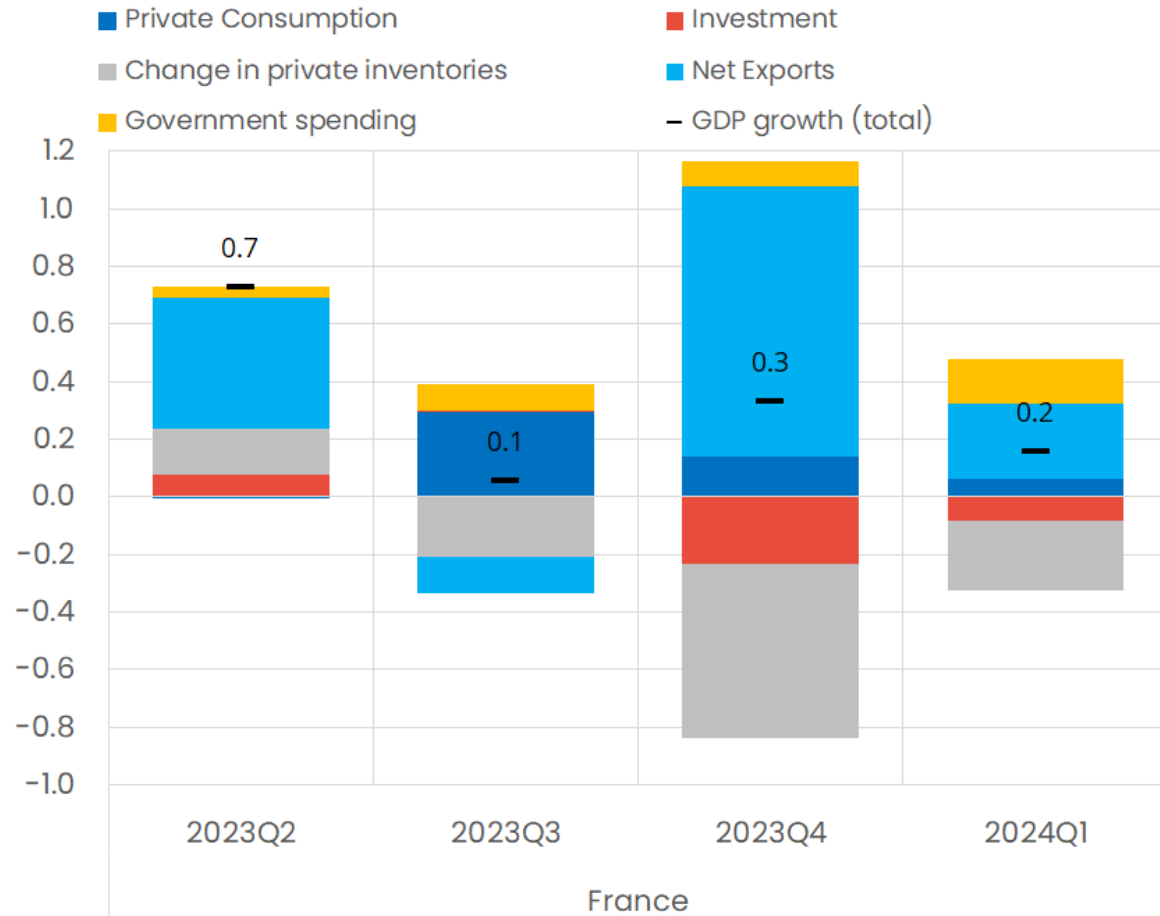
## Elections France Scenario – Key messages

- At this stage, an analysis of the projections shows that there are 2 possible scenarios: an enlarged RN government with a majority or a technocratic government with a minority.
- Whatever the scenario, instability is high, with the risk of violent confrontation and permanent uncertainty over the conduct of economic policies. This justifies a sustained revaluation of the French risk premium to between 50bp (minority techno) and 100bp (majority RN).
- The concentration of concerns on the French sovereign is probably too great, given the coercive power of the European authorities and the political will to avoid economic shocks in the run-up to 2027.
- The risk to companies is underestimated. The tightening of financing conditions due to the revaluation of French risk, combined with the constraints of the programmes, will have critical consequences for corporates.
- While the economic implications for 2027 appear to be contained, we need to think more about the medium-term consequences of a populist society that will tend to transform a rules-based world into one based on force and violence.

# French economic situation at June 2024: Moderate but with signs of recovery

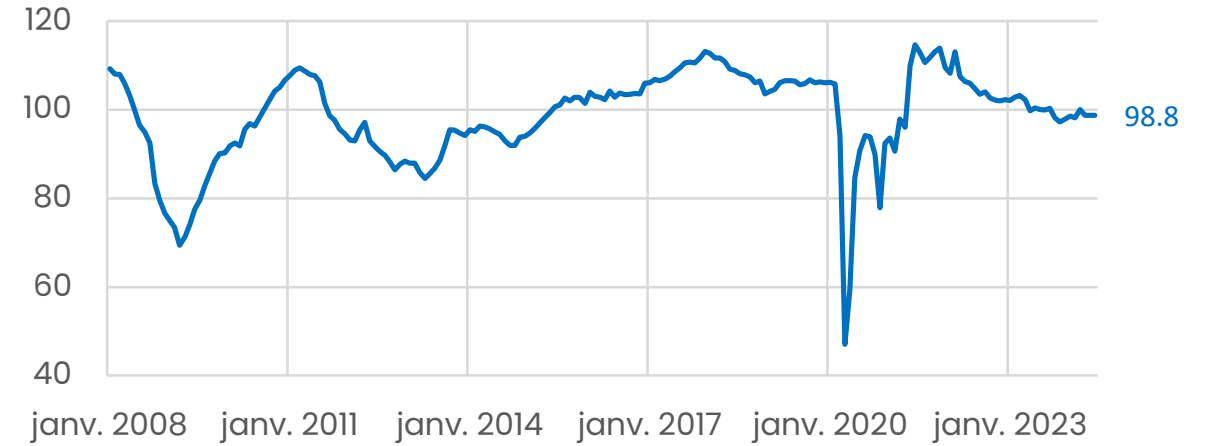
## France: PIB et composantes de la croissance

T/T en % et contributions en pp



## Indicateur INSEE du climat des affaires France

normalisé de moyenne 100 et d'écart-type 10



## Indicateur synthétique de confiance des ménages

normalisé de moyenne 100 et d'écart-type 10



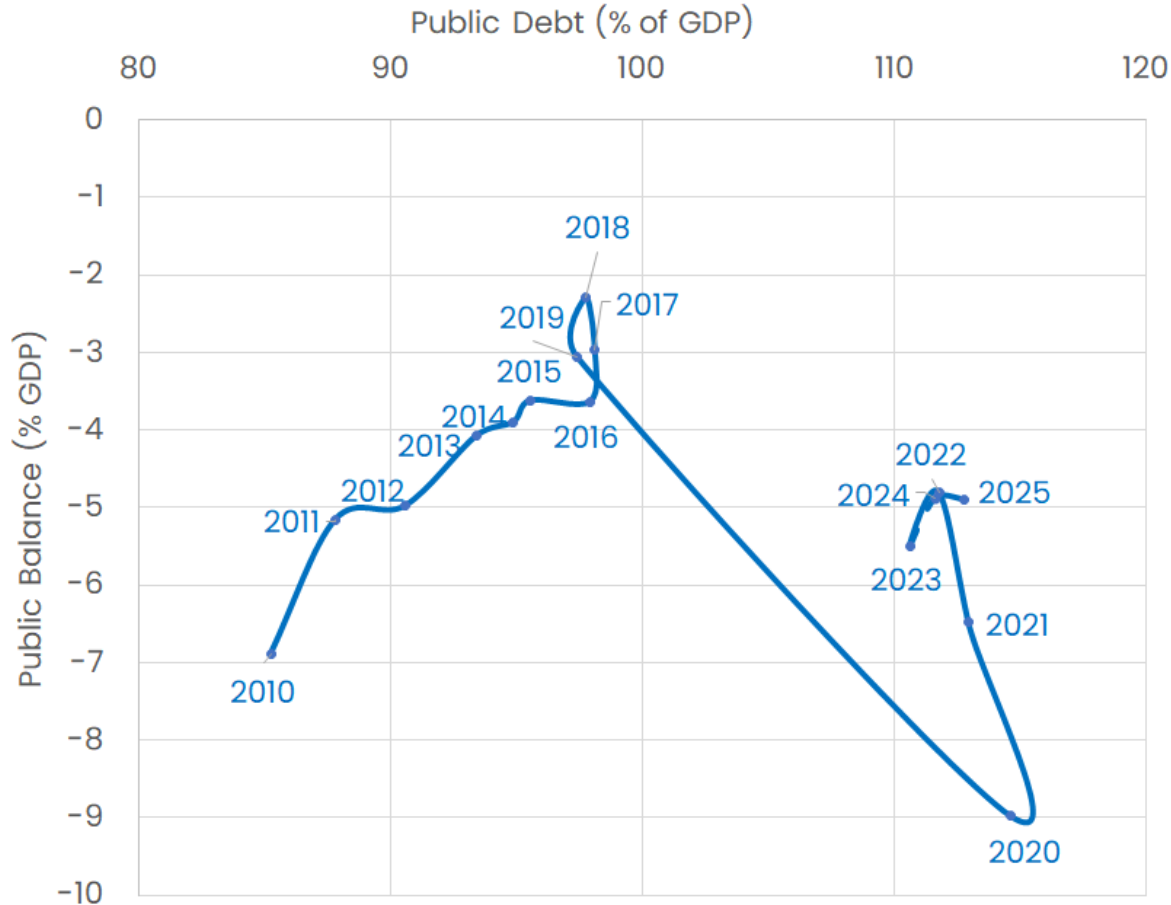


# French public finances at June 2024:

## Rising public deficit and moderate growth in public revenues complicate the objective of reducing the deficit and debt

### France: Evolution de la dette et du solde public

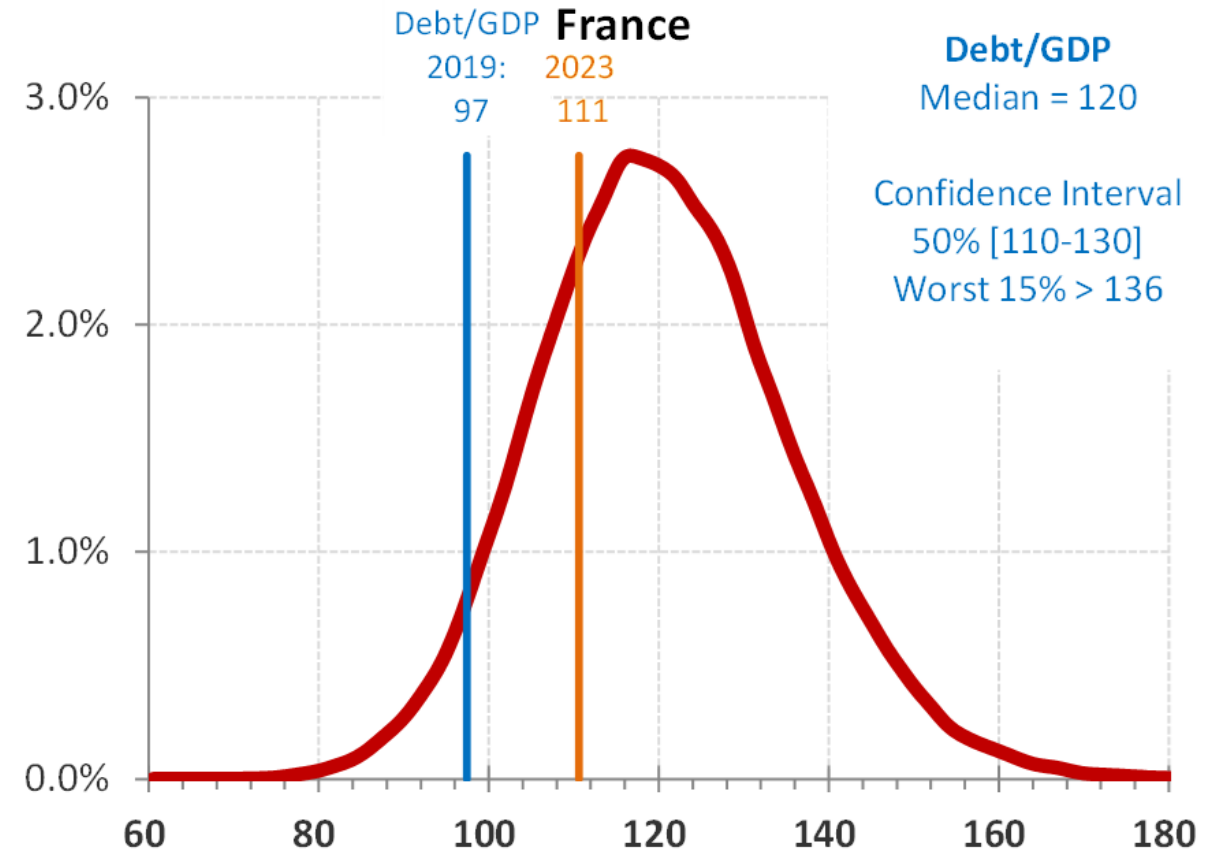
En % du PIB



Source: TAC ECONOMICS Datalab

### France: Simulation de Monte Carlo de dette publique

En % du PIB



Source: TAC ECONOMICS Datalab

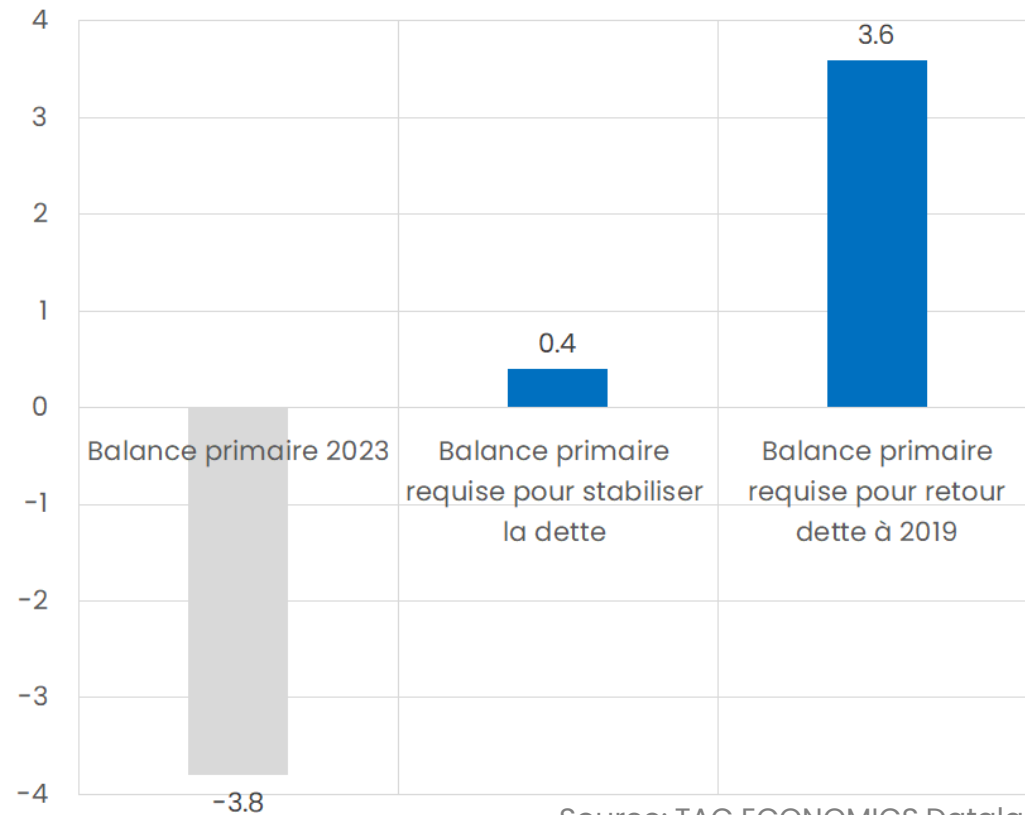


# French public finances at June 2024:

## Rising public deficit and moderate growth in public revenues complicate the objective of reducing the deficit and debt

### Indicateur de soutenabilité TAC ECONOMICS

Niveau de solde primaire requis compte tenu des objectifs de réduction de dette en % du PIB



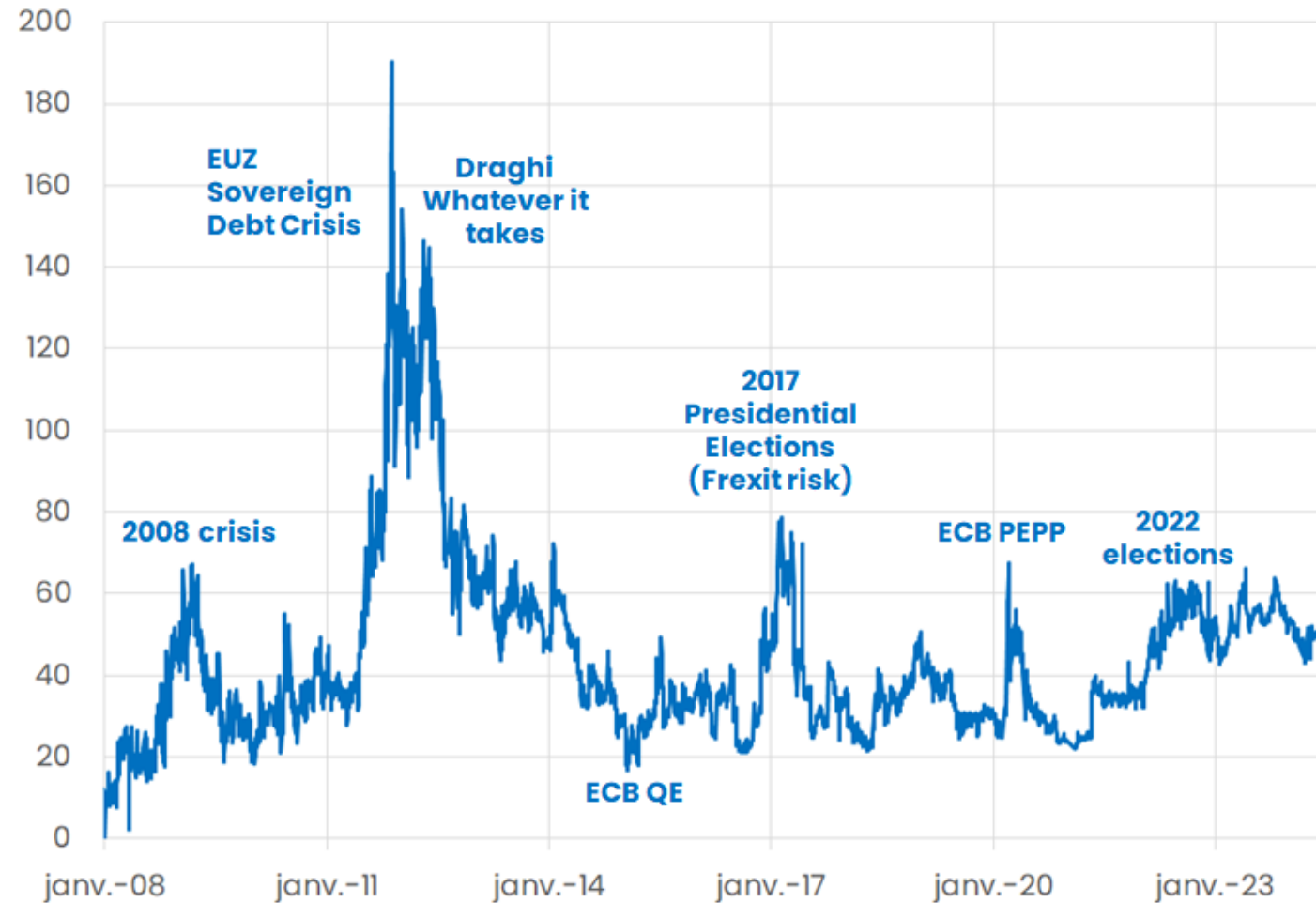
Source: TAC ECONOMICS Datalab

Dette Publique 2019: 97.4% du PIB  
Dette Publique 2023: 110.6% du PIB

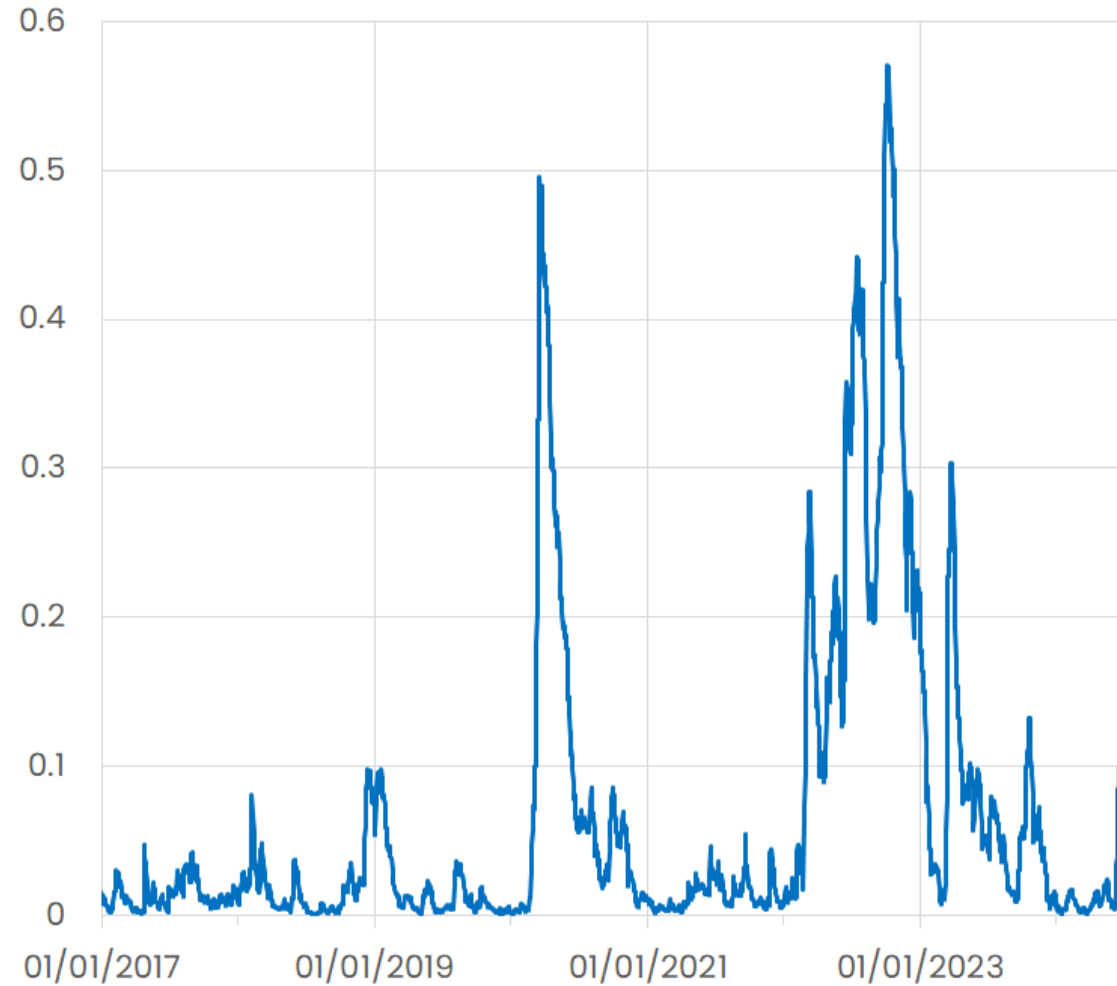
# Towards a revaluation of French sovereign risk? A level of tension similar to episodes of political stress, not contagion

## Ecart de taux 10 ans OAT-Allemagne

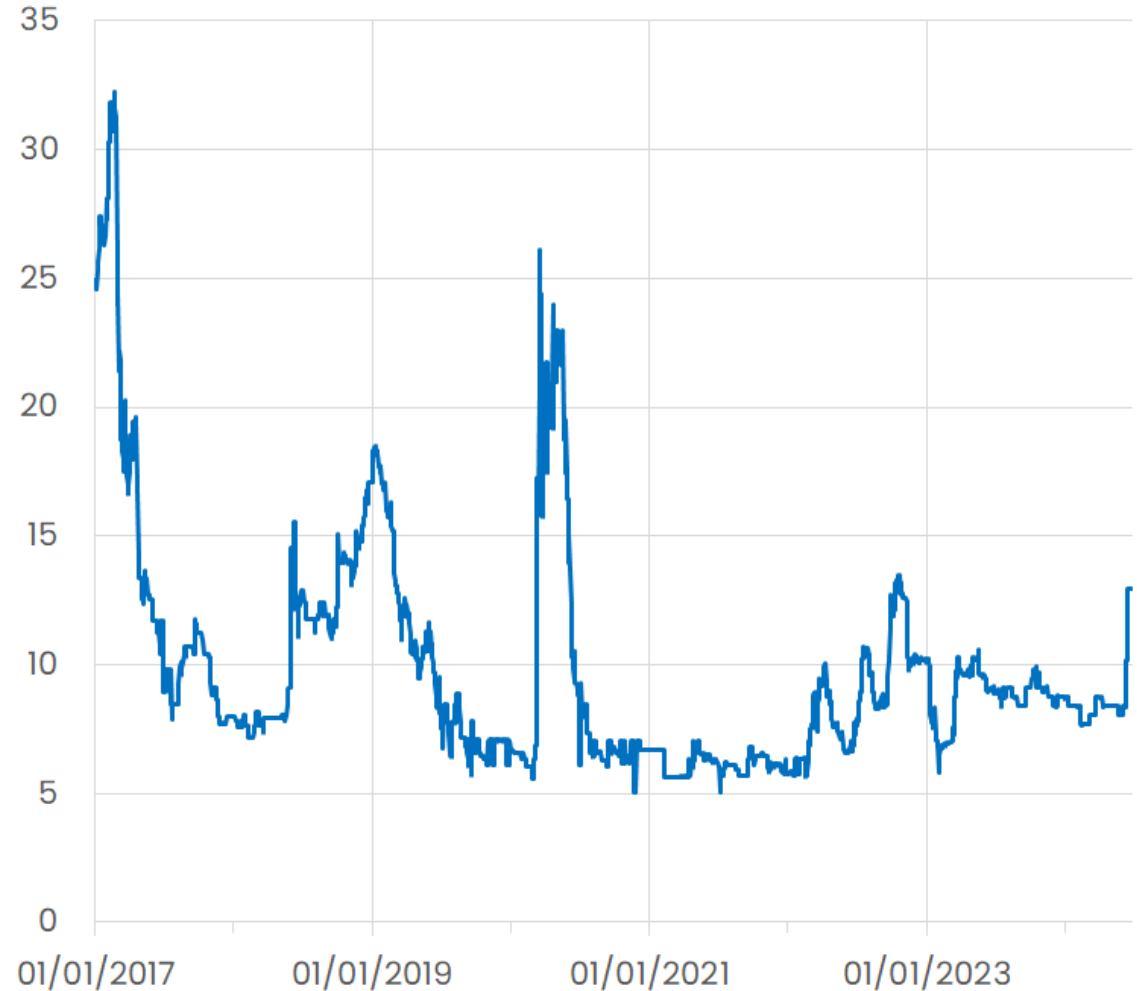
En pb



**France Indicateur Composite de Stress Systémique**  
En niveau



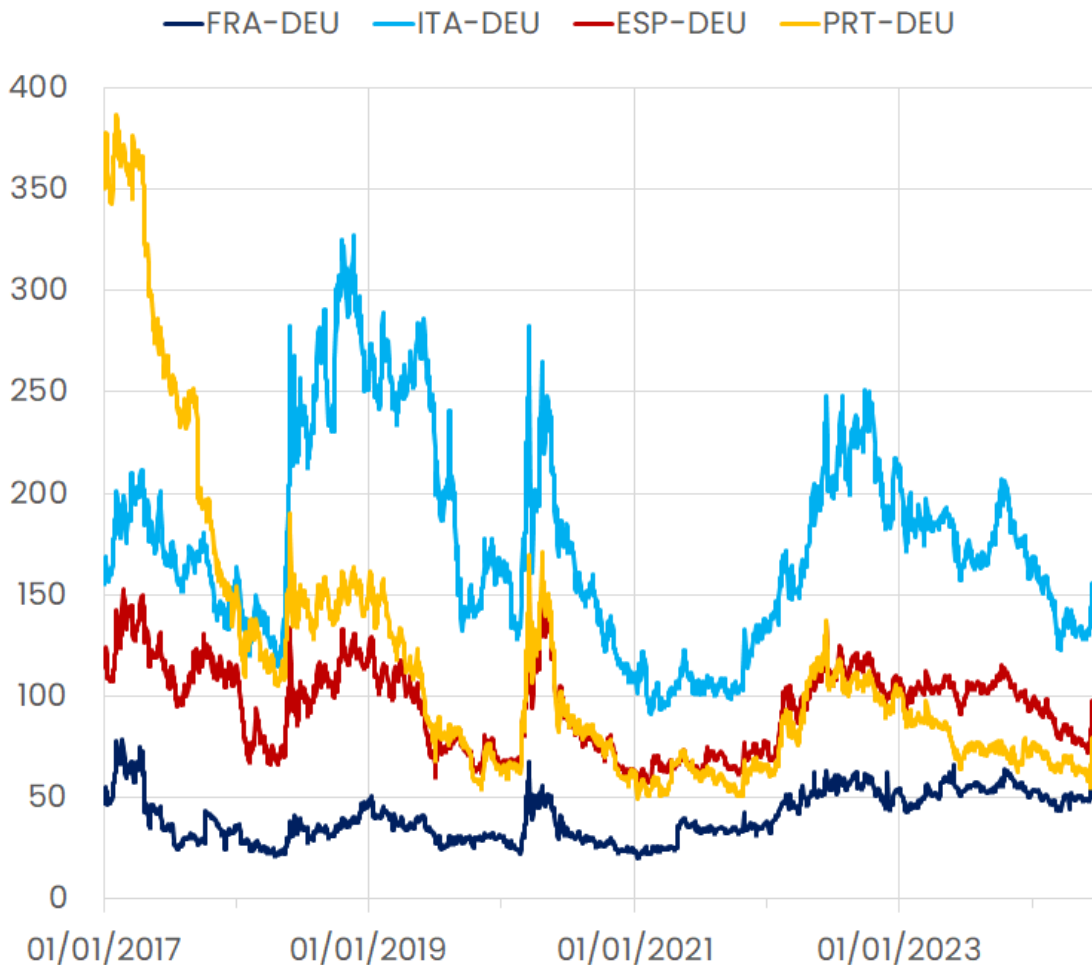
**France CDS 5 ans**  
En niveau



# Towards a revaluation of French sovereign risk? A spread in intra-EUZ assets, but with an extra premium for France

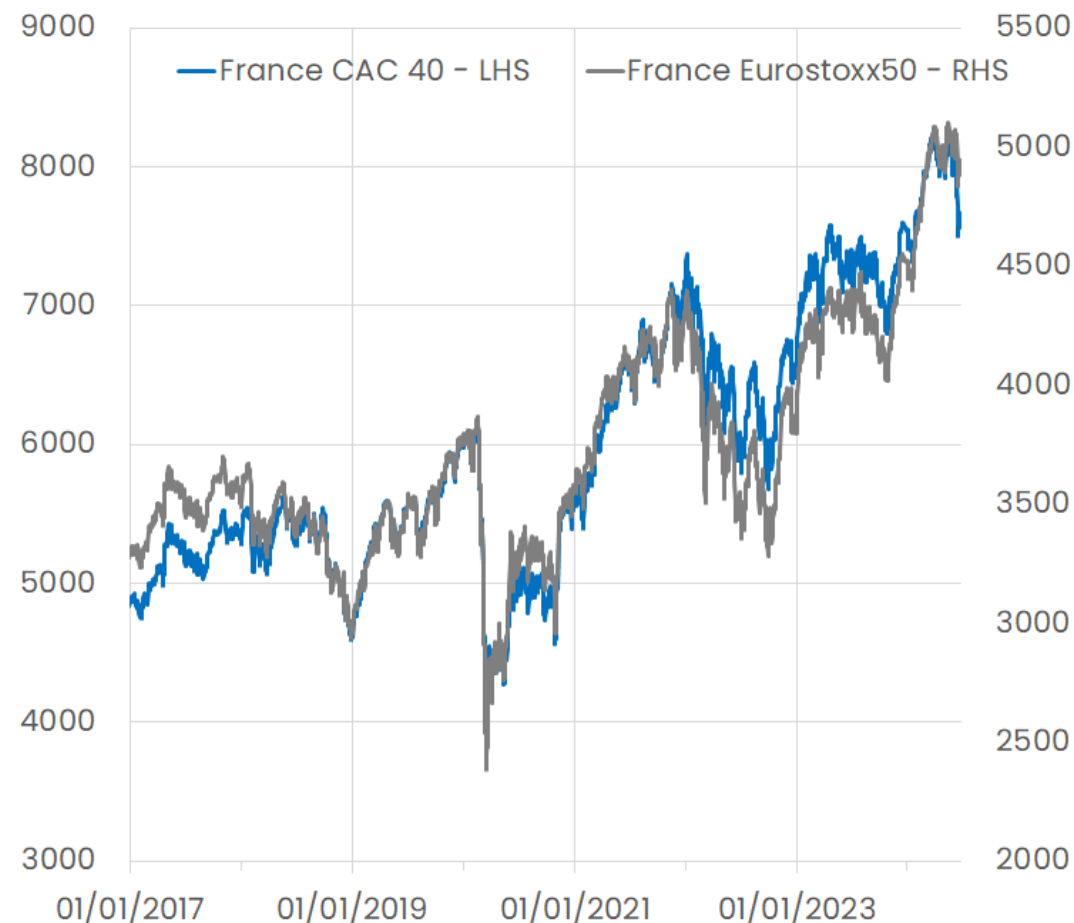
## Spread souverain intra EUZ contre Allemagne

En pb



## Evolution marchés Equity France/Euro

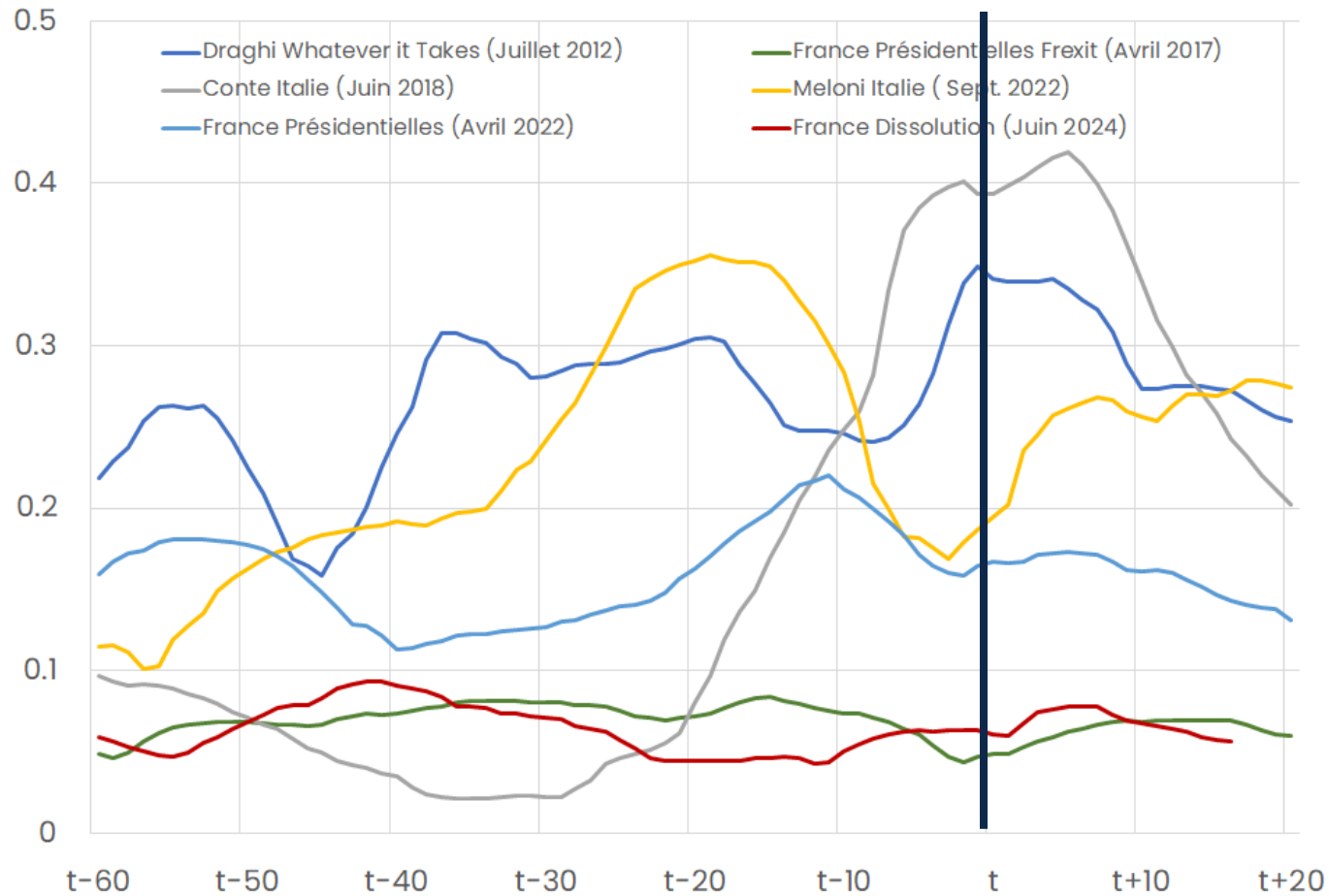
En niveau





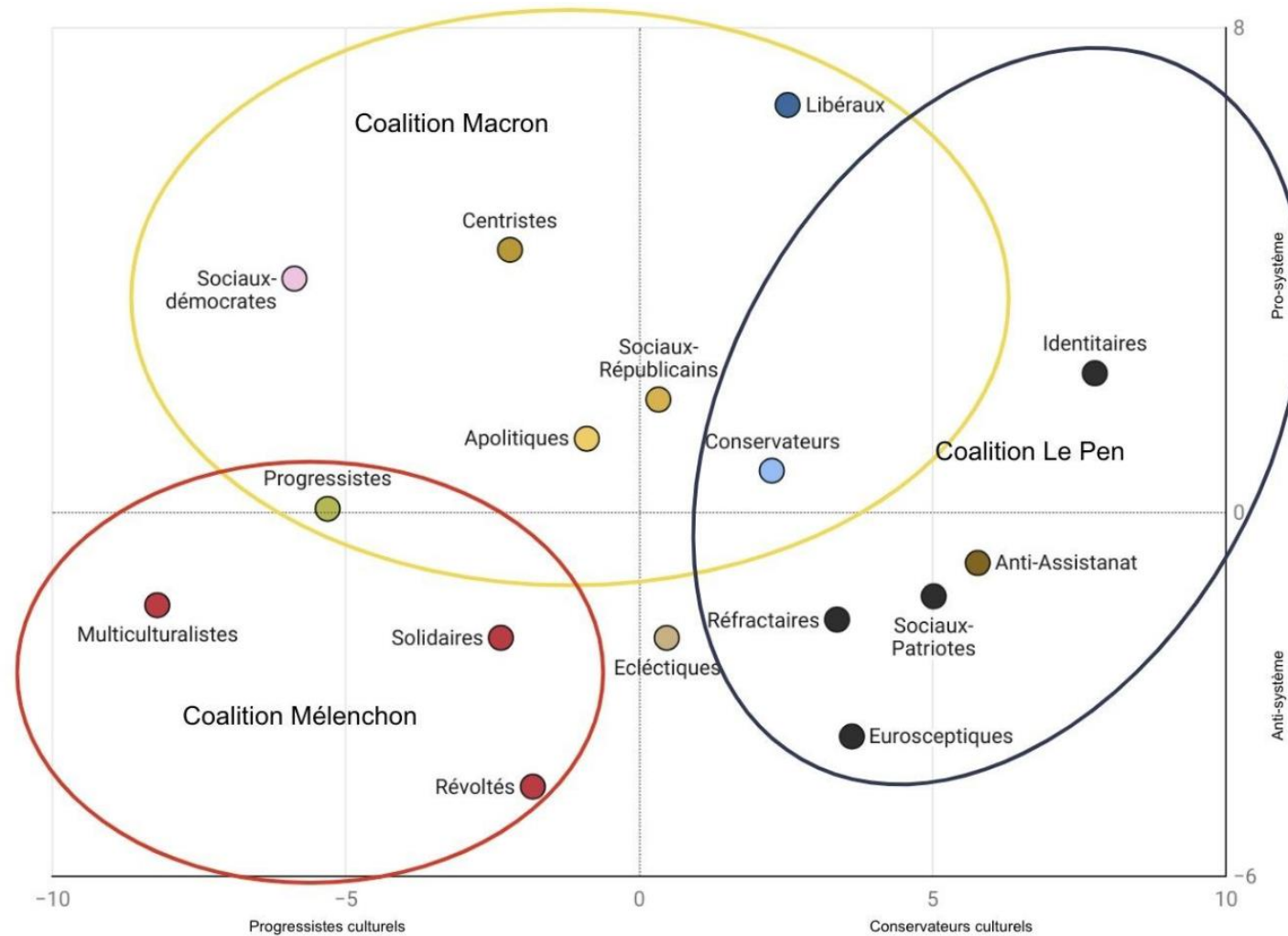
# Towards a revaluation of French sovereign risk? A weaker reaction compared with Europe's "historical parallels".

**Ecart type sur les taux 10 ans souverains associés aux évènements**  
En pp



# Tripartition of political life: a logic of blocs leading to a bipolar chamber with a complex constitution of absolute majorities

## Représentation en cluster du clivage politique

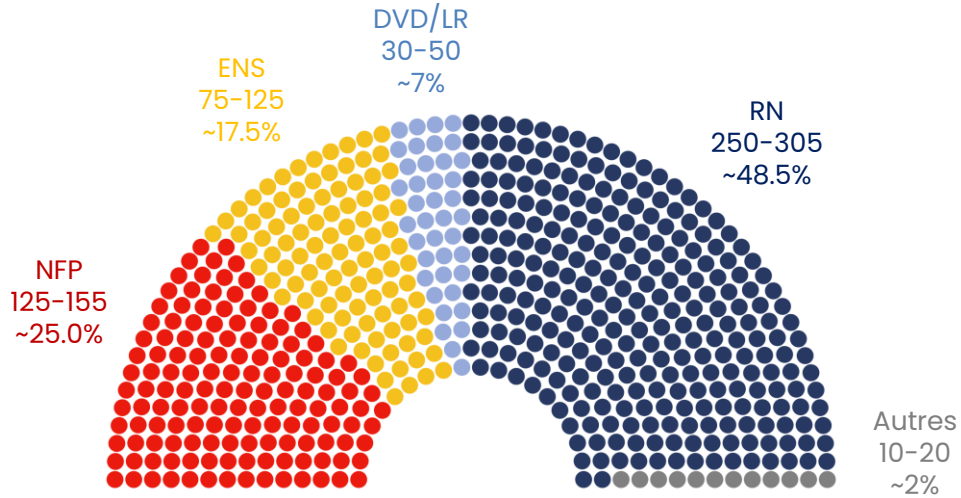




# Projections for the distribution of seats suggest two scenarios: an RN government and a minority coalition

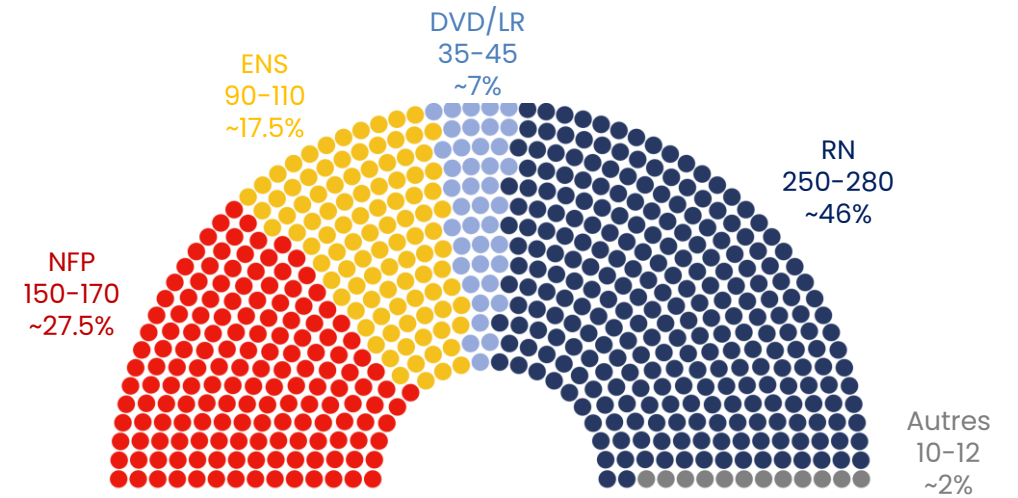
## Harris Interactive

25-26 juin 2024 – panel de 2 014 personnes



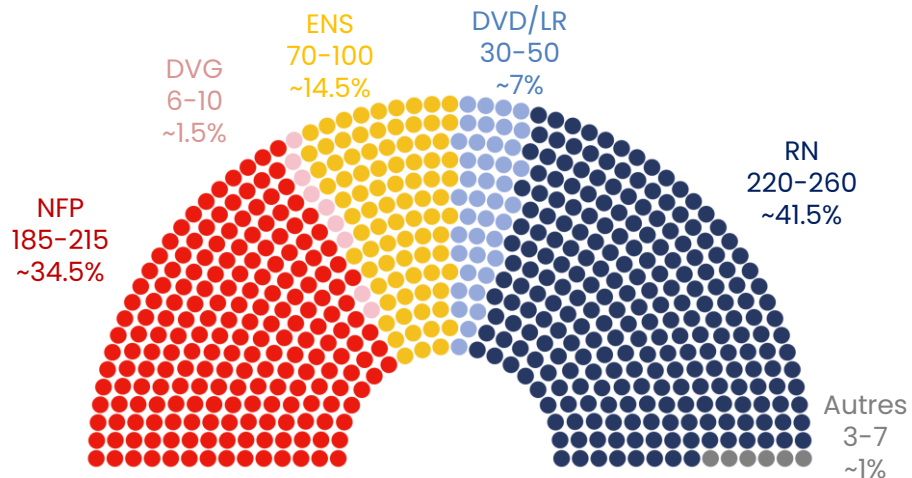
## Elabe

19-21 juin 2024 – panel de 2 002 personnes



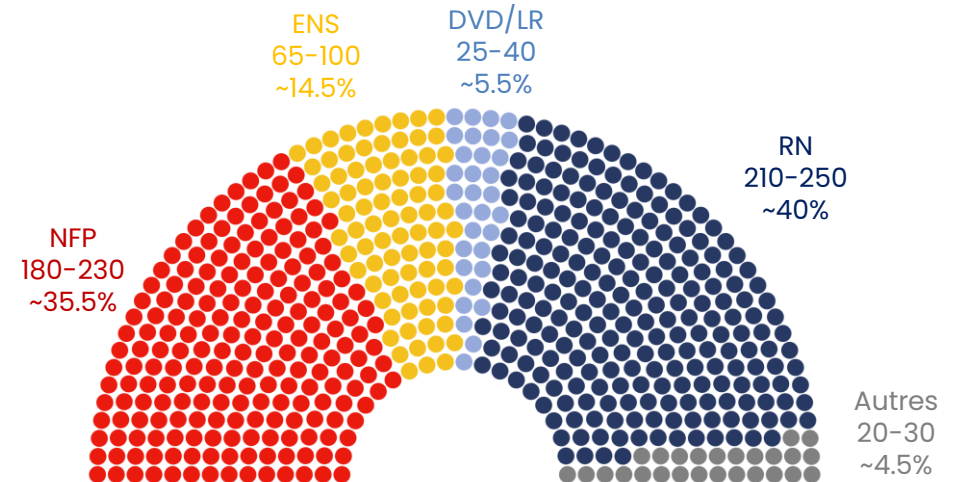
## Ifop

21-24 juin 2024 – panel de 1 843 personnes



## Cluster 17

22-24 juin 2024 – panel de 1 681 personnes



## 1. RN Scenario with an absolute majority:

- If the RN wins an absolute majority, a cohabitation with a sharing of powers would be necessary.
- The President of the Republic would have limited powers, and the National Assembly would once again become the centre of political life.

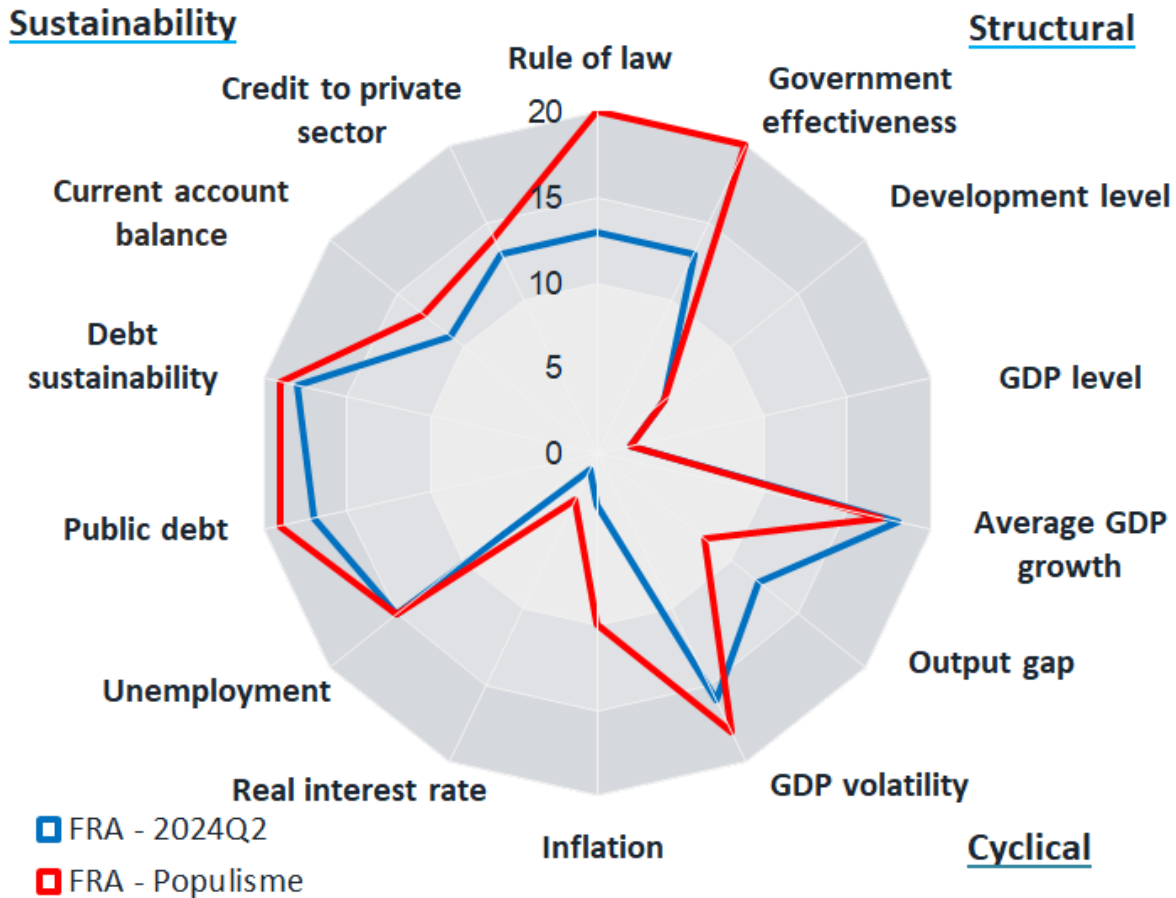
## 2. Minority Coalition

- Without a majority stabilised by the abstention of the RN or LFI during motions of censure, the government would fall under temporary alliances. Although Article 47 allows current affairs to be managed, parliamentary work would be paralysed.
- There would then be 3 possible solutions: (1) a technical government, (2) variable-geometry coalitions, (3) presidential resignation.
- A new dissolution before the deadline would be unconstitutional but could still be carried out.



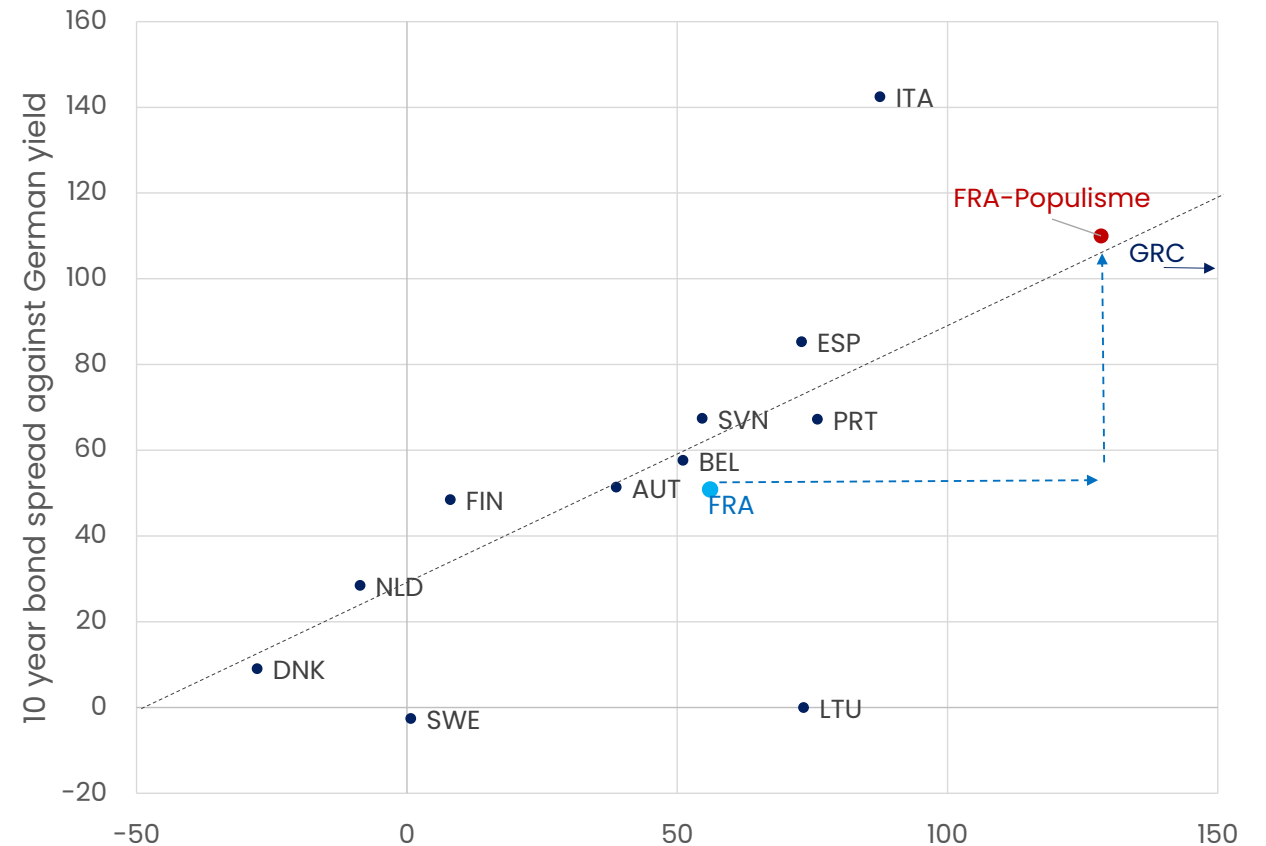
# Political instability and/or the transformation of structural indicators associated with a populist government creates a lasting rise in the French risk premium.

## France: Country Risk Radar



Source: TAC ECONOMICS Datalab

## Country Risk Premium versus 10-year interest rate Spread against Germany, in bp



TAC ECONOMICS Country Risk Premium against Germany

Source: TAC ECONOMICS Datalab



# If the measures in the RN programme (June 2024) do not cause public finances to drift out of control in the short term, a corporate adjustment is to be expected.

## RASSEMBLEMENT NATIONAL

Baisser la TVA de 20 à 5,5% pour les carburants, l'électricité, le gaz et le fioul domestique →	Coût par an <b>11,3 Md€</b>
Exonération d'impôt sur le revenu pour tous les médecins en cumul emploi-retraite →	Coût par an <b>950 M€</b>
Exonérer les entreprises des cotisations patronales sur les hausses de 10 % des grilles de salaires pour tous les salariés sous 3 Smic →	Coût en 2025 <b>800 M€</b>
Privatiser l'audiovisuel public →	Économie par an à horizon 2027 <b>2 Md€</b>
Réindexer les pensions de retraites sur l'inflation →	Coût d'ici 2027 <b>27,4 Md€</b>
Suppression de l'aide médicale d'État (AME) et remplacement par l'aide d'urgence vitale →	Économie Par an <b>700 M€</b>

Source: Institut Montaigne

## Quels sont les thèmes fondamentaux?

ANSWER

Les sous-jacents et non dits du programme sont :

- La défense de l'identité nationale et la préoccupation pour la souveraineté française
- Le rejet de l'Union européenne et le désir de réduire son influence sur les affaires françaises
- La priorisation de l'intérêt national et la mise en avant des intérêts français au détriment de ceux de l'UE
- La défense de la propriété privée et la critique du modèle économique basé sur le service public
- Le rejet de l'immigration et la préoccupation pour la sécurité nationale
- La mise en avant de la nécessité d'une justice plus sévère et plus efficace

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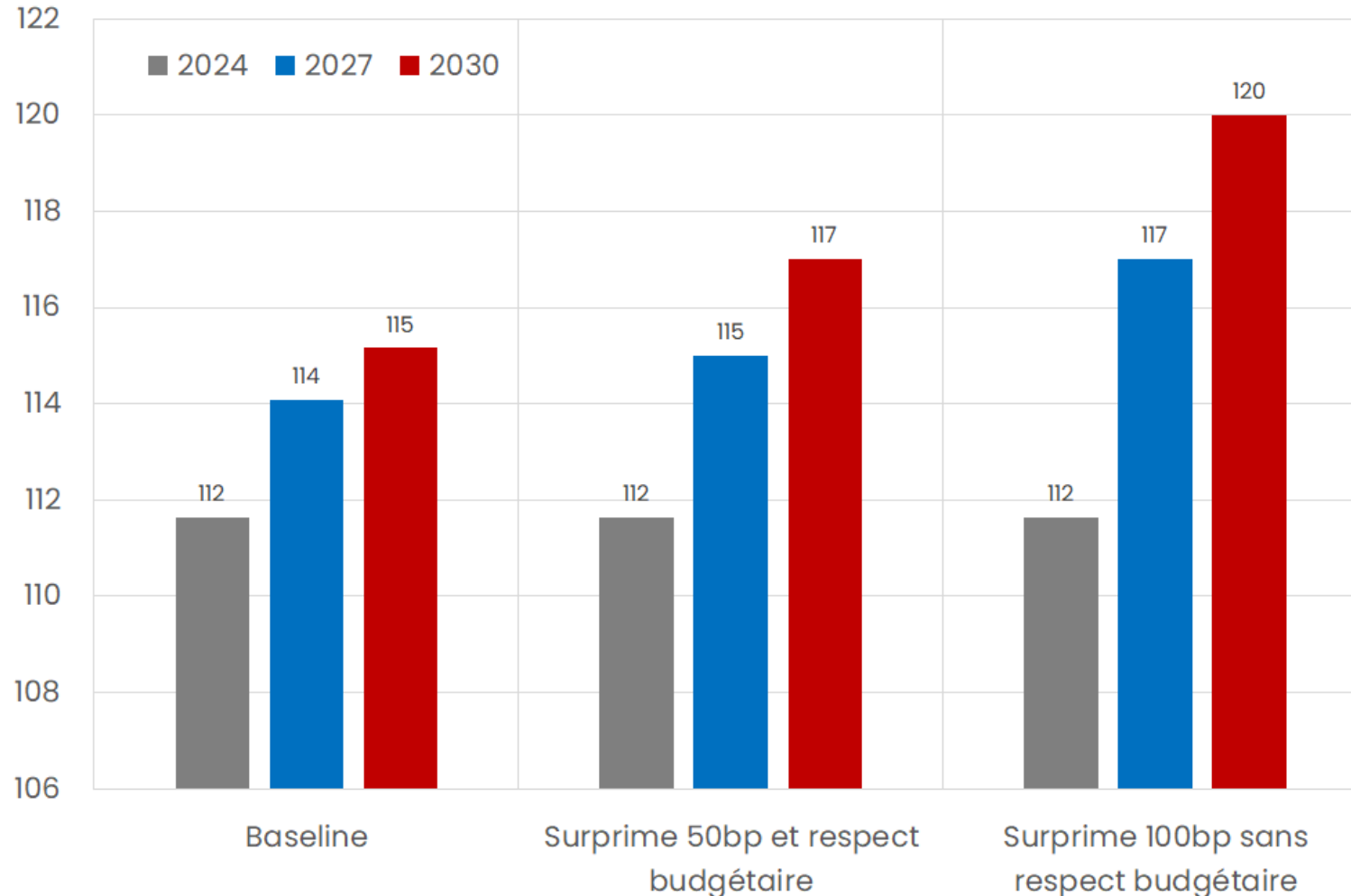
- La défense de l'identité nationale et la souveraineté française
- La critique du modèle économique basé sur le service public et la promotion de l'économie privée
- Le rejet de l'immigration et la préoccupation pour la sécurité nationale
- La mise en avant de la nécessité d'une justice plus sévère et plus efficace
- La défense de la propriété privée et la critique du modèle économique basé sur le service public.

Source: Alber

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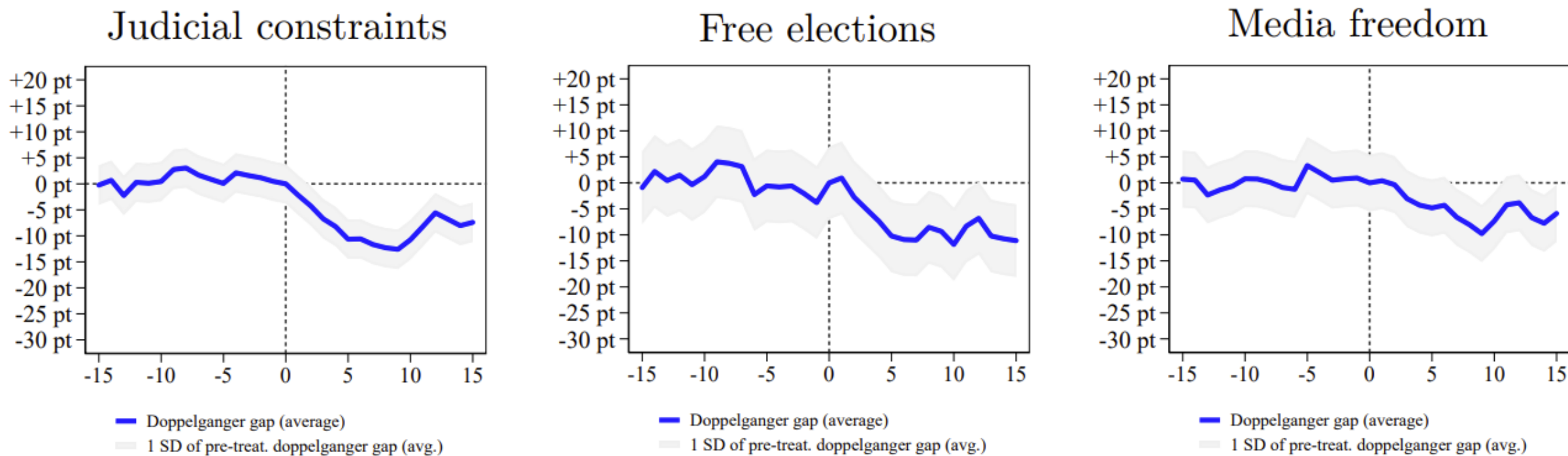
## Scenarios de soutenabilité de la dette publique française sous hypothèses

En % du PIB



Source: TAC ECONOMICS

Figure 15: Institutions (doppelganger gap) after populists take power (+/- 15 years)





# Contacts

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