French Politics: Post-Card from REF

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Marketing communication: This document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. 28 August 2026 EMEA M ACRO S NAPSHOT French Politics: Post-Card from REF As it does every year, the French employers' association (Medef) hosted its summer conference, La Rencontre des Entreprises Françaises (REF), which concluded yesterday. This two-day event addressed a broad range of topics, from boosting competitiveness and productivity through innovation and new technologies (particularly AI and robotics) to social issues, including demographic challenges and work-life balance. The event culminated in a debate between the seven official presidential candidates — their first opportunity to present their views on five key policy areas: public finances, reindustrialisation, labour costs, inheritance tax, and regulatory simplification. This note outlines the core messages of each candidate and highlights the structural weaknesses of the French economy that we believe warrant the closest attention. In short, while all candidates agree on the need to reduce the public deficit, curb national debt, and reindustrialise France, they diverge on how to achieve these goals. Disagreements were most pronounced regarding labour costs and the future of employee and employer social security contributions. Notably, none of the candidates questioned France's membership of the EU or the eurozone. That said, most participants offered few concrete measures and remained largely vague. Conversely, a few promised to release detailed proposals on several topics in the coming weeks. In our view, a high volume of noise will persist until the official presidential campaign begins next January, when each candidate's full economic platform is released. WRITTEN BY Hadrien CAMATTE Tel. +33 1 58 55 39 43 hadrien.camatte@natixis.com Alain DURRE, PhD Tel. +33 1 58 55 60 49 alain.durre@natixis.com Discover more on our Website

EMEA M ACRO S NAPSHOT 2 First debate between main presidential election candidates but few concrete measures Public finances and taxation The consolidation of public finances remains a major division line among candidates, but propositions lacked details. Édouard Philippe (Horizons) and Gabriel Attal (Renaissance) strongy advocate for fiscal discipline and structural reforms. Philippe warns against "burning the debt," arguing that such proposals would lock France out of international financial markets ("interdit bancaire"). Attal targets a return of the public deficit below 3% by 2032 and a balanced budget by 2037. Marine Le Pen (RN) promises that her party will "repay" the national debt. She plans to present a detailed public finance recovery trajectory ahead of the budget debates, pledging €125 billion in savings by drastically reducing state expenditures. Among structural shift, she pledged for the introduction of a "golden rule" on the public deficit. However, her plan is highly under-detailed to date, relying solely on savings from state agencies, increasing the youth labour participation rate, the contribution to the EU, and immigration. Jean-Luc Mélenchon (LFI) continues to support the cancellation of a portion of France's debt held by the European Central Bank (ECB) to free up fiscal space. Raphaël Glucksmann (Place Publique) proposes a targeted tax shift: lowering the CSG (Contribution Sociale Généralisée) on wages to boost purchasing power, financed by increasing inheritance taxes on the ultra-wealthy ("mega-héritiers"). Bruno Retailleau (LR) emphasizes that no candidate can resolve the debt crisis without deep pension reform, while focusing on stripping away administrative costs through deregulation. Pensions, labour cost and social contributions Pensions and age of retirement Both Jean-

Luc Mélenchon and Raphaël Glucksmann pledge to repeal the current pension reform. Mélenchon plans an immediate return to 62 years, with the ultimate goal of 60 years. Glucksmann demands a new system centered around job arduousness (pénibilité). Marine Le Pen (RN) proposes a return to a legal retirement age of 62, and 60 for those with long careers (who started working before age 20), requiring 42 years of contributions. Bruno Retailleau (LR) suggests a structural shift by linking the statutory retirement age to life expectancy via a proportional formula in the Labour Code to secure long- term pension funding. Wages and labour Costs Gabriel Attal (Renaissance) aims to boost competitiveness by rolling back the increases in labour costs introduced since 2024 (under governments following his tenure at Matignon).

EMEA M ACRO S NAPSHOT 3 Marine Tondelier (Les Écologistes) defends raising the minimum wage (Smic to €2,000 gross), paired with a comprehensive support plan for micro-businesses and SMEs (TPE/ PME). Jean-Luc Mélenchon (LFI) urges businesses to raise wages and the minimum wage, arguing that failing to do so will lead the French economy directly into a consumption-led recession. Conversely, Édouard Philippe proposes tightening unemployment benefits by reducing the maximum duration of compensation to 12 months for under-50s to incentivize work. Reindustrialisation, competitiveness and ecological transition Candidates agree on the urgency of reviving French industry, but with more slogans than concrete measures Simplification and deregulation Bruno Retailleau (LR) champions shock therapy for the "bureaucratic State." He pledges to bypass traditional legislative hurdles and remove "the 100 dumbest regulations" via executive ordinances (ordonnances) shortly after taking office. Gabriel Attal (Renaissance) proposes a constitutional amendment to streamline legal challenges, limiting the timeframe for administrative and environmental appeals to a maximum of 18 months.3 Corporate subsidies and ecological transition Jean-Luc Mélenchon (LFI) advocates strict conditionality, proposing that no state aid or corporate subsidies be distributed without binding corporate commitments (e.g., jobs, investments). Raphaël Glucksmann (Place Publique) regrets the lack of strategic European industrial focus, criticizing global investments (like the project of a blockfunded Saudi theme park) while critical domestic green energy projects are abandoned. Marine Tondelier (Les Écologistes) warns that ecological transition is vital for future business viability, and stresses that France's economy cannot function by 2050 without the integration of three million foreign workers to address labour shortages. Europe Édouard Philippe (Horizons) focuses France's external competitiveness strategy on a global scale, notably pointing to the industrial challenge posed by China, and promotes a supply-side policy (politique de l'offre) to remain competitive globally. Gabriel Attal (Renaissance) and Raphaël Glucksmann (Place Publique) frame their competitive focus primarily within the European Internal Market, particularly analyzing France's position and competitiveness relative to Germany. Jean-Luc Mélenchon (LFI) advocates for a policy of "disobedience" to European rules whenever they conflict with the mandate of French voters. He asserts that EU treaties must be renegotiated to prevent the "political, social, and industrial decline" of France under current free-market rules.

EMEA M ACRO S NAPSHOT 4 Key structural weaknesses deserving attention The next President will face a degraded macroeconomic environment. GDP growth is expected to remain below potential — at 0.6% in 2026 and 0.8% in 2027 according to our July forecasts, compared to a potential growth rate of around 1%. Furthermore, the public deficit remains high (5.1% in 2025 and at least as much expected in 2026), accompanied by an exceptionally rapid rise in debt-servicing costs, which are set to increase by around 0.2 to 0.3 percentage points of GDP per year through 2030, eventually reaching 3.5% to 4% of GDP depending on the scenario (see France’s Rising Public Debt: The Bill Comes Due). Consequently, stabilizing the public debt by late 2032 — which requires bringing the public deficit back close to 3% — will be one of the major challenges of the next five-year term. The GDP growth figures released this morning confirm the slowdown of the French economy and underscore the challenges awaiting the upcoming presidential candidates: ► First-half GDP growth was revised downward. Q2 2026 growth was shaved by 0.2 percentage points to flat (0.0%), while Q1 was revised down by 0.1 percentage points to -0.2%. According to Insee, these revisions reflect a more severe deterioration in agricultural output than initially estimated in late July, alongside stronger-than-expected momentum in market services prices, especially transport. ► As a result, France narrowly avoided a technical recession in the first half of the year. The growth carry-over for 2026 at the end of Q2 has been revised down to 0.3% (from 0.5% in the previous release). This makes the government’s 0.7% GDP growth target clearly out of reach, and even our own 0.6% forecast now looks optimistic — especially with Q3 performance severely weighed down by a historic drought that is hammering agricultural production. Weak growth also bodes ill for the public finances; without corrective measures, the deficit is now likely to drift beyond our 5.1% forecast this year (compared to the government's 5.0% target). ► Meanwhile, household account data confirmed a sharp decline in purchasing power (-0.6% per consumption unit), reflecting the surge in energy inflation since the outbreak of the war in the Middle East. While household consumption showed some resilience in Q2, this only followed a dismal first quarter (+0.3% QoQ in Q2 after -0.3% in Q1). Households have therefore drawn heavily on their savings to smooth the impact on purchasing power, driving the savings rate down by 0.7 percentage points to 17.2%. ► On the corporate side, the profit margin of non-financial corporations (NFCs) held steady at 31.5%. While margins were squeezed by deteriorating terms of trade due to rising global energy prices, this drag was offset by a decline in real wages. However, on a longer-term perspective, companies will need to increase their prices or reduce their cost to maintain their profit rate. Regarding households, their purchasing power will decline again in 2026 in the context of the energy shock and a deteriorating labour market with unemployment rate expected at 8.5% in early 2027, which explains why this is one of the top concerns for French voters ahead of the 2027 presidential election (see France: Q&A Less Than a Year Ahead of the French Presidential Election).

 On a longer-term perspective, we reported in the past that the weak potential growth today would be challenged by negative productivity shock from ageing population and green transition (see Euro area: Unpacking Potential Growth by 2030). As recognized by candidates in yesterday’s debate, the only way out to guarantee sustainable public debt and social protection is to boost productivity through innovation and investment in new IT/AI technologies (see Will AI Finally Unlock a Productivity Revolution?). Next steps Between now and the official start of the presidential campaign next January, a high volume of noise will persist until the official presidential campaign begins next January, when each candidate's full economic platform is released. It is alsi likely that new contenders will announce their candidacy as itw as the case of the President of the North region (Les Hauts de France), Xavier Bertrand (from the centre right party Les Républicains). Reality is that many aspire, but few will succeed for three reasons at least. First, each candidate will need the support of 500 persons through their signature. Second, there is the possibility that parties will organise primary elections to select one unique candidate to reduce the dispersion of votes. At this stage, only the Socialist party announced such elections. Third, few candidacies today are tactical with the view to negotiate their withdrawal of the presidential race against political arrangement (possibly for a position in the next government). The very next deadline to assess the political and economic positioning of each party and candidate will be the negotiation of the 2027 Budget in the French Assembly starting next September.

Head of CIB Research Head of Macro & Financial Institutions Research Jean-François ROBIN Nathalie DEZEURE +33 1 58 55 13 09 +33 1 58 55 99 93 jean-francois.robin@natixis.com nathalie.dezeure@natixis.com Head of Europe Macro research Financial Institutions Alain DURRE, Ph.D. Bouchra RHAJBAL +33 1 58 55 60 49 +33 1 58 55 79 93 alain.durre@natixis.com bouchra.rhajbal@natixis.com France, Belgium, Euro Area Germany, Euro Area Covered Bonds Hadrien CAMATTE Bastien AILLET Jennifer LEVY +33 1 58 55 39 43 +49 699 715 3358 +33 1 58 55 05 81 hadrien.camatte@natixis.com bastien.aillet@natixis.com jennifer.levy@natixis.com Spain, Italy, Greece, Portugal, Euro Area Inflation, Macro modeling, Euro Area Jesus CASTILLO Patricia FLOREZ CABRA +33 1 58 55 99 90 +33 1 58 55 62 71 jesus.castillo@natixis.com patricia.florezcabra@natixis.com CEMEA UK, Nordics, Real Estate Inna MUFTEEVA, CFA Sylwia HUBAR, Ph.D. +33 1 58 55 52 04 +33 1 58 55 35 59 inna.mufteeva@natixis.com sylwia.hubar@natixis.com Assistant Economists Théa BARTOLETTI Rita BEJJANI Leslie HUYNH thea.bartoletti@natixis.com rita.bejjani@natixis.com leslie.huynh@natixis.com Data base Ludovic DUCROCQ Camille CREUZE Eric RABARISON +33 1 58 55 14 76 +33 1 58 55 99 92 +33 1 58 55 12 65 ludovic.ducrocq@natixis.com camille.creuze@natixis.com eric.rabarison@natixis.com Andriat RAKOTOVAO +33 1 58 55 14 92 andriatsaramiafara.rakotovao @natixis.com

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