

No-Confidence Vote Against the Barnier Government

Scenarios for the adoption of the French 2025 budget and political consequences

- On December 4th, left-wing and far-right groups in the National Assembly passed a no-confidence vote on the social security budget bill, bringing down Michel Barnier's center-right Government.
- Even though Parliament must pass the 2025 budget bills (including both finance and social security) by December 31st, the Prime Minister has resigned, bringing the budget examination process to a halt. His government will continue to handle day-to-day operations until President Emmanuel Macron appoints a replacement.
- The budget bills must be passed by January 1st, whether by the outgoing Prime Minister or his successor. This task is particularly challenging because no single party or alliance commands a majority in the National Assembly - and President Macron cannot break this deadlock by calling new legislative elections until July 2025.
- The President has indicated that he will quickly appoint a new Prime Minister. Emmanuel Macron is seeking a Prime Minister who can work with parties across the political spectrum - from the Socialists to the Republicans - while avoiding outright opposition from the National Rally.

Scenario 1 Budgetary measures are adopted before January 1st, 2025

- Given the urgent situation, either the outgoing or incoming Government would likely propose a special bill to maintain tax collection and extend 2024's budget into 2025, with spending levels set by decree.
- The adoption of this bill would ensure the continuity of state funding and expenditures and prevent any risk of a "shutdown." A similar situation occurred in 1979, when the Government passed a special law during the Christmas holiday period to continue collecting taxes until a new budget could be approved.
- Once the new Government takes office, new finance and social security budget bills can be submitted and reviewed by Parliament.

>> Impact on public affairs:

- The Government remains the primary point of contact for economic stakeholders to discuss budgetary measures.

Scenario 2 The President thinks the budget might not be approved in time for January 1, 2025

- This scenario is less likely, but if the President thinks Parliament won't pass the special bill to extend the 2024 budget into 2025 (as outlined in scenario 1), he could use Article 16 of the Constitution to gain "exceptional powers" and issue budgetary measures by decree.

>> Impact on public affairs:

- The President and its advisors would become the main points of contact for businesses and industry actors to discuss budget measures.

Political Consequences

- The fall of the Barnier Government opens a new period of political uncertainty in France.
- Whoever is appointed as the new Prime Minister will face the challenge of not holding a majority in the National Assembly, which will lead to difficult negotiations and pressure on the Government.
- Currently, far-right party National Rally and far-left party France Unbowed are calling for the President's resignation, and in case of a new institutional deadlock it could increase the pressure on Emmanuel Macron. In the coming weeks, discussions about holding an early presidential election before 2027 may soon dominate French politics.
- A new dissolution of the National Assembly will still be an option, but not before July 2025, as the Constitution requires a one-year gap between successive dissolutions.