

Elections in France: Towards a Parliament with no absolute majority

Key messages

- The results of the first round suggest a decrease in the probability of an absolute majority for the far right or the far left, and increases the likelihood of a parliament without a majority, which could lead to either a political impasse or a relative majority, most likely with the National Rally leading.
- Although uncertainty remains, we believe Sunday's results reduce the likelihood of a landslide victory for either the far right or the far left, with either scenario having significant fiscal consequences.

The polls were fairly accurate. The results of the first round of the French legislative elections show a strong increase in the National Rally (RN) with 33.15% of the votes, against 27.99% for the left-wing coalition New Popular Front (NFP) and 20.76% for the centrist bloc Ensemble supporting President Emmanuel Macron. The participation rate was strong (66.71%) and the highest for a legislative election in 25 years.

The possibility of a Parliament without a clear majority is emerging, with projections of seats for the RN of between 240 and 310, according to the polls. However, an absolute majority of 289 seats remains uncertain. Trilateral contests, where 3 candidates compete for a seat, should be very numerous in the second round on 7 July. Estimates (including Ipsos) suggest that there could be between 285 and 315 trilateral contests in constituencies in the second round, more than half of the 577 constituencies, compared with only 8 in 2022. This increases the importance of alliances between parties opposing the RN. Calls for tactical alliances to block the RN party route have been made by various parties. Thus, the probability of an absolute majority of the RN has decreased since some expectations before the weekend.

Even if the RN fails to achieve an absolute majority, the results of the first round suggest that this party is most likely to lead the next government but that it may have to rely on the support of other parties (in particular Les Republicans) to pass laws. Jordan Bardella, the RN's would-be prime minister, said his party would not form a minority government, but we believe that alliances seem likely. A cohabitation, a situation in which the President and the Prime Minister are from different parties, could occur for the first time since the one under Jacques Chirac between 1997 and 2002.

The fiscal implications are important. The scenario of a Parliament without a majority could have different consequences for fiscal policy in the short and medium term. A political stalemate could lead to a slight fiscal improvement in the short term as the RN would have limited capacity to implement its full programme, but it would make structural reforms more difficult.

The lower probability of an absolute majority for the RN should allow a slight reduction in risk premiums at the beginning of the week, especially if anti-RN candidates withdraw to form a republican front. The yield spreads between French and German bonds are expected to tighten. The CAC40 index could continue to rise. The euro could strengthen temporarily. However, we are keeping our targets at 1.06 to 3 months and 1.12 to 12 months.

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