

France does have a public debt problem

Economists are divided on this issue. Some argue that, with the public debt ratio not under control, there is a danger of a public debt crisis or, at the very least, of mounting difficulty in financing the government deficit. Others take the view that France still has substantial borrowing capacity, given its relatively favourable sovereign rating and the fact that a French default is ruled out, in particular because the ECB would not allow it.

In fact, several developments are cause for concern:

- the rise in long-term real interest rates, which are well above real GDP growth;
- the fact that, since 2007, rising public debt has ceased to be offset by a corresponding increase in general government assets;
- the crowding out of private investment by public debt;
- the already high tax burden.

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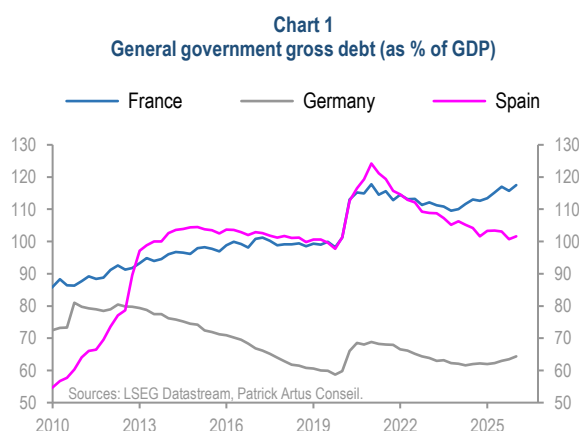
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Long-term interest rates above growth

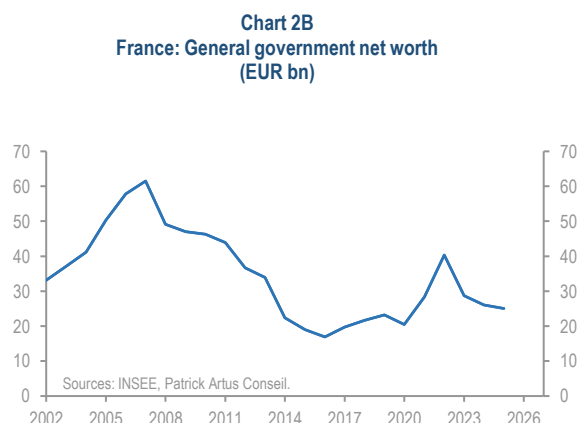
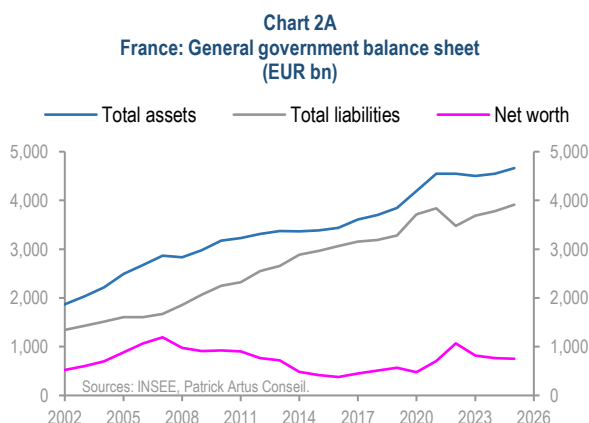
The **long-term real interest rate** (10-year maturity, calculated as the 10-year nominal yield minus the 10-year inflation swap rate) currently stands at 2.5% in France, compared with real GDP growth of 0.5%. This means that eliminating the primary deficit is not enough to stabilise the public debt ratio: **France needs to run a primary surplus of 2.4% of GDP** (equal to the differential between the long-term real interest rate and real GDP growth, multiplied by the public debt ratio, which is expected to reach 120% at the start of 2027).

The **fiscal consolidation effort** required is therefore very large, at more than 5 percentage points of GDP, given that the primary deficit stood at 2.9% of GDP in 2025. Spain, for example, is in a much more favourable position than France, with nominal GDP growth of 5.5%, a 10-year bond yield of 3.9% and primary surpluses from 2026 onwards: Spain's public debt ratio is falling rapidly (from 119% of GDP in 2020 to 100% in 2025), whereas France's is rising (110% of GDP in 2024, 115% in 2025 and 122% in 2027 according to the French Treasury; **Chart 1**).



Rising public debt since 2007 not offset by higher general government assets

General government net worth (the value of assets minus liabilities, with assets comprising infrastructure, land, buildings, intellectual property products, dwellings, machinery and equipment, and financial assets such as currency and deposits, loans and equity) peaked at 61.5% of GDP in 2007 before falling back to 25% of GDP at the end of 2025. This was mainly because liabilities, principally public debt, rose by 45 percentage points of GDP, while the value of assets increased by only 7 percentage points of GDP (**Charts 2A and 2B**). Admittedly, net worth remains positive, but it is a matter of concern that, **since the global financial crisis, additional public debt has been driven by support for incomes and consumption** rather than by investment that could generate additional tax revenue in the future.



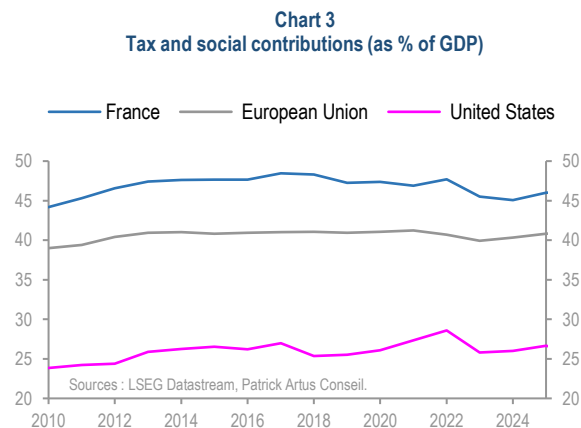
Crowding out of private investment

The investment rate of non-financial corporations in France, measured as a share of value added, stood at 21.9% in early 2026, having exceeded 23% in 2023. Household residential investment, meanwhile, fell by around 13% between early 2023 and the end of 2025.

These developments point to the crowding out of private investment by public debt, as financing is drawn towards public debt at the expense of private debt.

High tax burden

The tax burden in France is already very high (46% of GDP in 2025, compared with 40.8% for the European Union as a whole and 26% in the United States; [Chart 3](#)). The usual argument that taxes could be raised to avoid a default on public debt therefore carries little weight in the case of France.



Conclusion: France's public debt problem is hard to deny

We have shown that, in the case of France:

- the long-term real interest rate is two percentage points higher than real GDP growth;
- since 2007, rising public debt has ceased to be matched by an increase in general government assets;
- public debt is crowding out business investment and residential investment;
- the tax burden is already very high.

Extrapolating current trends implies a very rapid rise in the public debt ratio (more than 4 percentage points a year), without this increase generating tax revenue in the future (as would be the case if it financed efficient public investment), and with an ever-tighter squeeze on private investment.

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