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Chart of the month
October 2026

France under the bond market's scrutiny

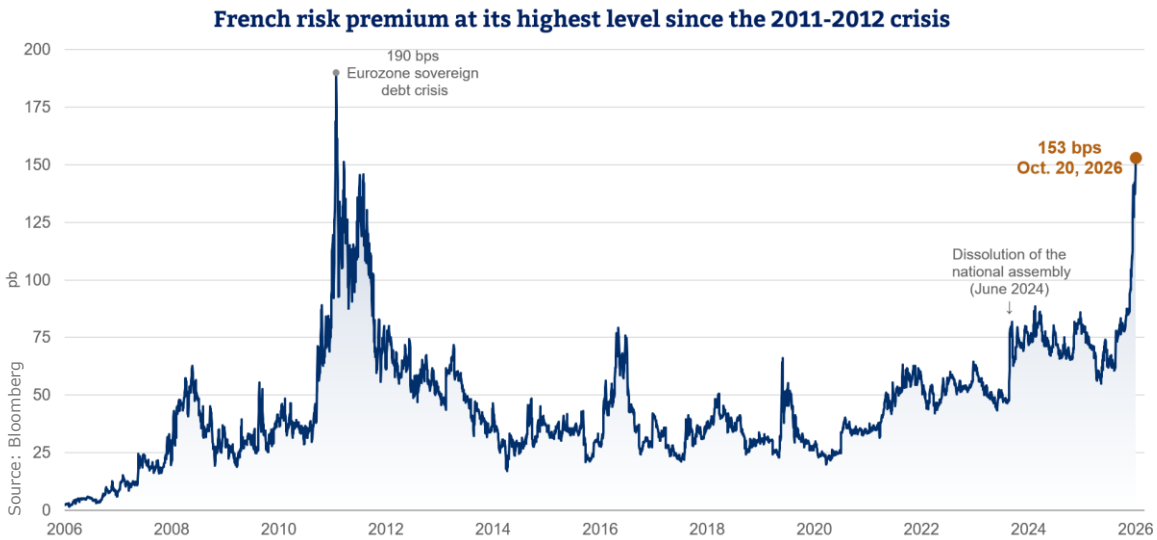
The yield spread between French and German 10-year government bonds is one of the most widely followed indicators of investor confidence in France. It has widened from approximately 70 basis points at the beginning of the year to more than 150 basis points as of October 20. This marks its highest level since the 2011 eurozone sovereign debt crisis. France's 10-year government borrowing cost is now approaching 5%, a level not seen in more than two decades. It has even risen above those of Italy and Greece.

Domestic factors largely explain this move. France's budget deficit remains above 5% of GDP, while public debt stands near 120% of GDP. The minority government led by Sébastien Lecornu must secure passage of the 2027 budget, which calls for €54 billion in fiscal measures, despite lacking a clear majority in the National Assembly. Significant protests have also recently erupted, and the spring 2027 presidential election is approaching. Together, these factors have increased uncertainty regarding the country's ability to restore fiscal discipline. Finally, the broad rise in global interest rates, driven by the energy crisis, has added to the pressure.

This development should, however, be viewed in perspective. The spread remains below the peaks reached in 2011-2012. Part of the recent increase also reflects investor positioning and reduced market liquidity rather than a sudden deterioration in economic fundamentals. The adoption of a credible budget could help stabilize conditions, but the risk premium demanded by France is likely to remain elevated as long as the political outlook remains uncertain.

France-Germany 10-year yield spread

(Daily data, Oct. 2006 – Oct. 2026)



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