

Emmanuel Macron's second term:

What lies ahead?

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Introduction

This past week, Emmanuel Macron made history. For the first time since the founding of the Fifth Republic, a French president has been reelected while holding a sitting majority in parliament.

Yet, two developments are casting a shadow over Emmanuel Macron's victory: high levels of abstention and a shrinking lead between him and his far right challenger Marine Le Pen.

The second round of the election saw historically high abstention rates: 28% of French citizens did not vote in the second round. That's three percentage points more than in 2017 and the lowest voter turnout since 1969.

Although Marine Le Pen lost the election, her electoral performance cannot be overlooked. The gap between Emmanuel Macron and her shrunk significantly in this year's election compared to the previous one in 2017. During the second election round in 2017, Emmanuel Macron obtained 66% of the vote compared to 33% for Marine Le Pen.

This year, Emmanuel Macron's victory was much narrower: 59% of voters cast a ballot for him compared to 41% for Marine Le Pen.

The race for Emmanuel Macron isn't over yet, however. The upcoming parliamentary elections in June will be crucial in determining his influence over the coming five years. Much hinges on whether or not Macron's party, *La République En Marche!* (LREM), will retain its majority in the National Assembly.

In its last poll, Harris Interactive forecast that Emmanuel Macron will gain an absolute majority with approximately between 328 and 368 deputies. France's left-wing, led by Jean-Luc Melenchon, is projected to get 93 seats. Marine Le Pen's party, the *Rassemblement National* (RN), which currently only holds 8 seats in the parliament, is expected to reach between 75 and 105¹.

While the power constellation of the legislature is not yet confirmed, the main economic and business challenges Emmanuel Macron will be facing within France and at the European level are more clear.

1. [Présidentielle. Macron – Le Pen, un écart de voix important ? On a comparé les scores depuis 1965 \(ouest-france.fr\)](https://www.ouest-france.fr/elections/2017/05/18/pr%C3%A9sidentielle-macron-le-pen-un-%C3%A9cart-de-voix-important-on-a-compar%C3%A9-les-scores-depuis-1965-ouest-france-fr).

The Economy

Public deficit

In 2017, Emmanuel Macron made it one of his priorities to **decrease the public deficit**. Until the beginning of the Covid-19 pandemic, he was on course to reaching this objective: from 2016 to 2019, France's public deficit decreased from 3.4%² of GDP to 3%³ of GDP. According to Eurostat, today, France has the sixth largest deficit in the European Union: it stands at 6.5% of GDP compared to 3.7% for Germany and 2.5% for the Netherlands. Public debt has also been significantly impacted by the last two years: increasing by 15.5 points, at 112.9% late 2021, while throughout the euro area, the debt increased to 95.6% from 2019 levels (+ 11.8 points)⁴.



"I want to both fund development measures while keeping our public finance anchors, which aim to start reducing the debt from 2026 and get the deficit back below 3% of GDP by 2027."

- Emmanuel Macron

A situation mostly prompted by unprecedented investment in order to overcome the pandemic and promote the recovery of the economy. These governmental aids have been generally well perceived by American companies (81%) who believe that those measures were at least as effective as other European countries⁵. Nevertheless, 62 % of American investors say they are worried or very worried about the amount of French public debt.

Emmanuel Macron has taken France's public debt issue very seriously. In his 2022 campaign, he promised a recovery of the public accounts, as well as the **return to a deficit below 3% of GDP**⁶.

To do so, President Macron intends, amongst other measures, to bring an end to the types of ad hoc emergency government support that were seen during covid and to advocate for the mutualization of European debt.

2. [En 2016, le déficit public s'élève à 3,4 % du PIB, le taux de prélèvements obligatoires diminue de 0,1 point à 44,3 % du PIB - Informations rapides - 82 | Insee](#)

3. [En 2019, le déficit public s'élève à 3,0 % du PIB, la dette notifiée à 98,1 % du PIB - Informations rapides - 73 | Insee](#)

4. [Dépenses publiques : la France n'a pas été la championne du « quoi qu'il en coûte » en Europe | Les Echos](#)

5. [22ème-édition-baromètre-AmCham-Bain.pdf_\(amchamfrance.org\)](#)

6. [Présidentielle : Emmanuel Macron s'engage à un retour du déficit sous la barre des 3 % du PIB à l'horizon 2027 | Les Echos](#)

Inflation

Even before the war in Ukraine, the second biggest concern of American investors (56%) was inflation, according to the 2022 annual AmCham-Bain Barometer. Exacerbated by the Russian invasion, addressing inflation became unavoidable during the presidential campaign. The INSEE reported that, in March 2022, consumer prices increased by 4.5% over one year, after a 3.6% increase the previous month⁷. The energy sector is impacted by price hikes in particular - prices of energy have risen by 9% in March, compared to 3.6% in February. Emmanuel Macron's government has made several moves to **shield companies and consumers from soaring energy prices** through tax cuts and subsidies such as the implementation of a "Food voucher" to help low-income citizens facing rising wheat and sunflower oil prices.

During his campaign, Emmanuel Macron promised to **raise the ceiling of the "Macron bonus"**, which incentivizes profit-sharing schemes by removing taxes on certain bonuses, to 6000 €. The Macron bonus is exempt from taxes and social security contributions up to 1000 €. It is optional for French employers to offer the bonus to their employees. In 2020, 6 million people received it. Furthermore, Emmanuel Macron is expected to implement an "**employee dividend**" which would require that each company paying dividends to its shareholders or managers must share the value with its employees⁸.



7. [En mars 2022, les prix à la consommation augmentent de 4,5 % sur un an - Informations rapides - 85 | Insee](#)

8. [Présidentielle 2022 : Emmanuel Macron promet de relever jusqu'à 6000 euros le plafond de la «prime Macron» \(Le Figaro\)](#)

Climate & Energy

The war in Ukraine has severely disrupted the supply of electricity and gas, placing the question of energy – who supplies it, under what form and at what cost – as a key topic of this presidential election. In light of **soaring energy prices**, Emmanuel Macron's primary energy-related plans involve an increase of supply and the guarantee of energy sovereignty. Emmanuel Macron plans to **build six new nuclear reactors** which will be constructed and operated by the state-controlled energy provider EDF. While the first reactor is expected to be in operation by 2035, plans for an additional eight reactors have already been launched. In the meantime, President Macron will also increase France's solar capacity to more than 100 gigawatts by 2050, as well as the number of wind and solar farms on French soil and its shores⁹.



"If we want to pay for our energy at reasonable rates and not be dependent on foreign countries, we must both continue to conserve energy and invest in decarbonized energy production on our soil."

- Emmanuel Macron

France will take advantage of the EU's **green financing scheme** once both gas and nuclear have been included in the EU's sustainable taxonomy. Emmanuel Macron is also in favor of **Europe's Carbon Tax project** and the **deforestation product ban**. More so, he is in support of an **overhaul of the European price setting system for energy**, which Finance Minister Bruno Le Maire has decried as 'absurd' and 'obsolete', by decoupling the price of decarbonated energy from the price of gas and fossil fuels.

9. [Macron bets on nuclear in carbon-neutrality push, announces new \(Reuters\)](#)



During his last rally, Emmanuel Macron promised to **appoint a Prime Minister who would be directly in charge of France's Ecological Transformation**. According to the newly re-elected president, the new government will also appoint **two new ministers in charge of the environment**. The new minister of energy planning will have the mission to **wean France off of petrol, natural gas and coal**. A second minister will be in charge of **ecological planning**, with a focus on infrastructure. More concretely, their role will include public transport improvement, investment in river and rail freight, housing renovation, and the improvement of water, air and food quality. These goals will be supported by a massive push towards **decentralization**.

Corporate taxation

Corporate taxation is one of the main concerns for American companies, according to the 2022 AmCham-Bain Barometer. 67% of our respondents stated that corporate taxation is a very important factor for their investment in France. Emmanuel Macron's first term was marked by a number of measures to alleviate the corporate tax rate, which was 33.3% in 2017 and has gone down to 25% today. Although most companies support these efforts, Emmanuel Macron still has some work to do on **decreasing production taxes** for France to compete with other European nations. According to our Barometer, France's tax system is perceived as one of the biggest weaknesses of the country's business environment. Indeed, 48% of American companies consider France to be less attractive than other European countries on this issue, lagging behind countries such as Ireland, the Netherlands or Luxembourg.

To alleviate this problem, Emmanuel Macron plans to further reduce taxes on business by **nixing the 'CVAE'**, a tax on the added value of companies. The President has also signaled his intention to ease the costs of insurance against workplace accidents and occupational diseases.



"We need to lower production taxes and in particular the one that weighs the most on industry, the CVAE."

- Bruno Le Maire, Minister of the Economy

However, AmCham France, like many economists, argue that **nixing the 'C3S'** tax would be the most effective way to remove the excessive burden on investors. A proposition that Emmanuel Macron has yet to endorse.

Labor

By the end of 2021, France's unemployment rate stood at 7.4%, its lowest level since the 2008 economic crisis.

The 2022 AmCham-Bain Barometer reported that US investors' decision making is heavily driven by the **availability of labor**: 24% of them believe that the availability of workers is one of the French economy's biggest weaknesses. Emmanuel Macron is confident that he could steer the country towards full employment. To do so, he hopes to overhaul *Pôle Emploi*, a French governmental agency, which registers unemployed people, helps them find jobs and provides them with financial aid and training. The new agency, which would be rebranded as '*France Travail*', would be a one stop-shop for the nations unemployed, pooling the often discorded and disjointed actors that make up the current system. He also plans to **reform the RSA**, a form of in-work welfare benefit, by making it contingent on active job searches for the unemployed.

The issue of **retirement** was a key point of divergence in candidates' Macron and Le Pen platforms. **Pension reform** is a notoriously undertaking in French politics. Emmanuel Macron's own pension reform plan had to be shelved in light of the multiple crises he faced over the course of his presidency, such as the *Gilets Jaunes* protests and the pandemic. His newly announced plan would see the retirement age pushed back from 62 to 65 years old.

Although Emmanuel Macron's official program does not mention reforms in France's working hours, discussions over introducing a "time bank" system have been brought up by his team. According to reports, Emmanuel Macron is open to **flexible working hours** according to the period of one's life. For example, instead of 35 hours a week, a 25-year-old could accept working 45 hours a week, then reduce their working hours once they have children or become more senior.¹⁰.

The four-day workweek has been previously tested by a few companies and has also found political support. However, Elisabeth Borne, Minister of Labor, has explicitly stated that this new schedule is challenging in terms of work rhythm. President Macron's government is not in favor of generalizing the four-day workweek, stating that such a decision should be up to each individual company.¹¹.

10. [*Emmanuel Macron veut-il vraiment faire travailler les jeunes 45 heures par semaine? \(Journal du Dimanche\)*](#)

11. [*Elisabeth Borne estime qu'«on ne peut pas imposer» la semaine de travail de quatre jours \(BFM Business\)*](#)



The government's **2021 plan to reduce recruitment tensions** has already begun to show some promise. It focuses on the development of skills and employee retraining in order to match employees' expectations and ambitions with companies' needs.¹². The upcoming government is expected to carry on with this approach. In that regard, AmCham France recommends strengthening the legislative framework of remote work in order to reduce employment barriers.

Macron's **immigration policies** are also geared towards France's labor needs. He plans on reducing delays for "talent" visas in order to attract skilled workers from other countries, and to simplify procedures that would allow foreign students with a French Master's degree to be able to work in the country. The President has also suggested that legal immigrants should benefit from French classes in order to help them integrate into society and into the workforce. Consistent with his European line, he advocates for the strengthening of borders at the European level.

12. [*Plan de réduction des tensions de recrutement \(Gouvernement - Dossier de Presse\)*](#)

Reindustrialization & Innovation

The loss of industrial jobs is not a novel phenomenon in France. Although the industrial sector still accounts for a quarter of French GDP, France is the European country that has seen the most deindustrialization since the 1970s.¹³ The **inflation and supply-chain issues** that stemmed from the pandemic have made ‘réindustrialisation’ - or reshoring - a key issue during this presidential election.

Emmanuel Macron’s 2020-2022 recovery plan and his ‘*France 2030*’ investment plan are largely designed to overturn this trend. Based on four pillars of **modernization, innovation, relocation and decarbonation**, 35 billion euros of the 100 billion euros Recovery Plan are geared towards industrial development across the country. The ‘France 2030’ investment plan should also **promote reindustrialization** by targeting state investment in key sectors such as healthcare, hydrogen, nuclear energy or sustainable mobility.

With reindustrialization comes the **need for a qualified workforce**. In addition to the labor policies mentioned above, the incoming government should develop **retention strategies to dissuade talents from expatriation**. More concretely, France should support its young entrepreneurs by developing the French innovation ecosystem. AmCham France sees local support for innovation and entrepreneurship as key in reaching this aim. This can be achieved by strengthening the partnership between regions through regional innovation agencies, regional chambers of commerce and industry, as well as Bpifrance, France’s public investment bank.



13. [La désindustrialisation à la française \(franceculture.fr\)](https://franceculture.fr/la-desindustrialisation-a-la-francaise)

International relations

France's attractiveness

Emmanuel Macron has made the attractiveness of France a priority, and has put significant effort in **sending positive signals to foreign & US businesses**. Key to this strategy is the “Choose France” initiative, a popular summit for business leaders held in Versailles.

President Macron plans to go even further in cementing the economic relationship between France and the United-States with the creation of a **bilateral partnership on clean energy** between both countries.



European Union

European unity, sovereignty and strategic autonomy were at the heart of Emmanuel Macron's electoral campaign five years ago. Over the course of his term, and particularly over the past three months as France took the presidency of the European Council, Emmanuel Macron and France have been **strong defenders of the 'European project'**. He has called for a new financial & budgetary framework, pushed for European-led global tax reform, advocated for a European army and recommended changes in the operation of the Schengen area, including new arrangements for dealing with migration.

During the first half of the French presidency of the European Council, the Council adopted major legislation related to international public procurement markets, the carbon border adjustment mechanism and sustainable battery production chains, as well as the Digital Markets Act and the Digital Services Act.



France will continue to lead debates over various topics related to energy, taxation and security, such as the European gas storage strategy, the BEPS framework and the European “Strategic Compass”.

France has also led discussions and negotiations regarding the various **economic sanctions imposed on Russia** as well as the **EU's assistance to Ukraine**. Emmanuel Macron stood out as a leader in maintaining dialogue between all parties involved in the war in eastern Europe. He has also made a point of showing France has a leading role in NATO operations, and recently claimed that the war in Ukraine has given the Alliance an “electroshock,” and helped provide “strategic clarification” for its role.

China

Emmanuel Macron aims to **improve EU-China relations**. Within the framework of the Franco-Chinese strategic and global partnership, the authorities of both countries intend to increase their efforts to support common projects in a number of fields, such as aeronautics, nuclear energy and space. However, this ambition has been met with various challenges from France's political sphere. The President was **criticized for backing an EU-China investment deal** in light of accusations of human rights abuses currently being leveled against China. In January of this year, the National Assembly voted in a resolution which "officially recognizes the violence perpetrated by the authorities of the People's Republic of China against the Uyghurs as constituting crimes against humanity and genocide" and it calls on the government to do the same. President Macron also came under fire for sending representatives to the 2022 Beijing Olympics.



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