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What to watch: Country and sector risk updates, transition risks for real estate and the good, the bad and the ugly of French elections for markets

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Executive summary

This week, we look at three critical issues:

- **Quarterly country and sector risk changes: Charting paths of recovery.** At the end of Q2 2024, we upgraded 15 countries and downgraded two as global economic growth looks set to recover to +2.8% for 2024-25. At the same time, 15 sectors got an upgrade while eight got a downgrade, also reflecting the slight cyclical improvement. The outlook for transportation and energy improved, while the household equipment sector faces challenges. Overall sector risk remains stable, with the highest risk in Latin America and the lowest in Asia.
- **The risk of stranded assets in European commercial real estate.** The revised Energy Performance of Buildings Directive is putting Europe's buildings sector under increased scrutiny. Despite significant progress toward emission-reduction goals, there are big differences between countries and more efforts are needed for both decarbonizing energy supply as well as increasing energy efficiency via renovation. We estimate the total renovation costs for non-residential real estate in EZ-4 countries to be approximately EUR165bn to achieve the 1.5°C compliance target established for 2024. Without renovation, we estimate that European banks' portfolios could have EUR400bn worth of commercial real estate assets at-risk of becoming stranded in the next decade.
- **French elections: The good, the bad and the ugly for markets.** The status quo with a hung parliament would see investors looking to buy the dip, with the risk premium on French assets easing but remaining slightly above pre-election-call levels. In this "good" scenario, French 10y yields would be close to 60bps end-2024; investment-grade corporate spreads would be at 120bps for both 2024 and 2025 and equity markets would be up +7% in 2024 and +10% in 2025. Should a far-right or far-left government come to power, we see two possible market outcomes. The "bad" scenario would be a persistent increase in the French risk premium due to a structurally higher fiscal deficit and moderate anti-European and anti-corporate rhetoric, with negative consequences for domestic financial markets but limited contagion to the rest of Europe. In that case, French government bond spreads would reach 90bps; corporate credit spreads near 200bps and equity markets -6%. The "ugly" scenario would not be a repetition of the 2012 euro crisis but will be testing: (i) the ECB put to limit the financial fall-out, (ii) the flexibility of the new Commission with excessive deficits, interventionism and an anti-European stance and (iii) the willingness of partners, especially Germany, to be constructive (and patient). This prisoner's dilemma situation (nobody wants a weak France) could still cause French government bond spreads to reach 120bps; corporate credit spreads

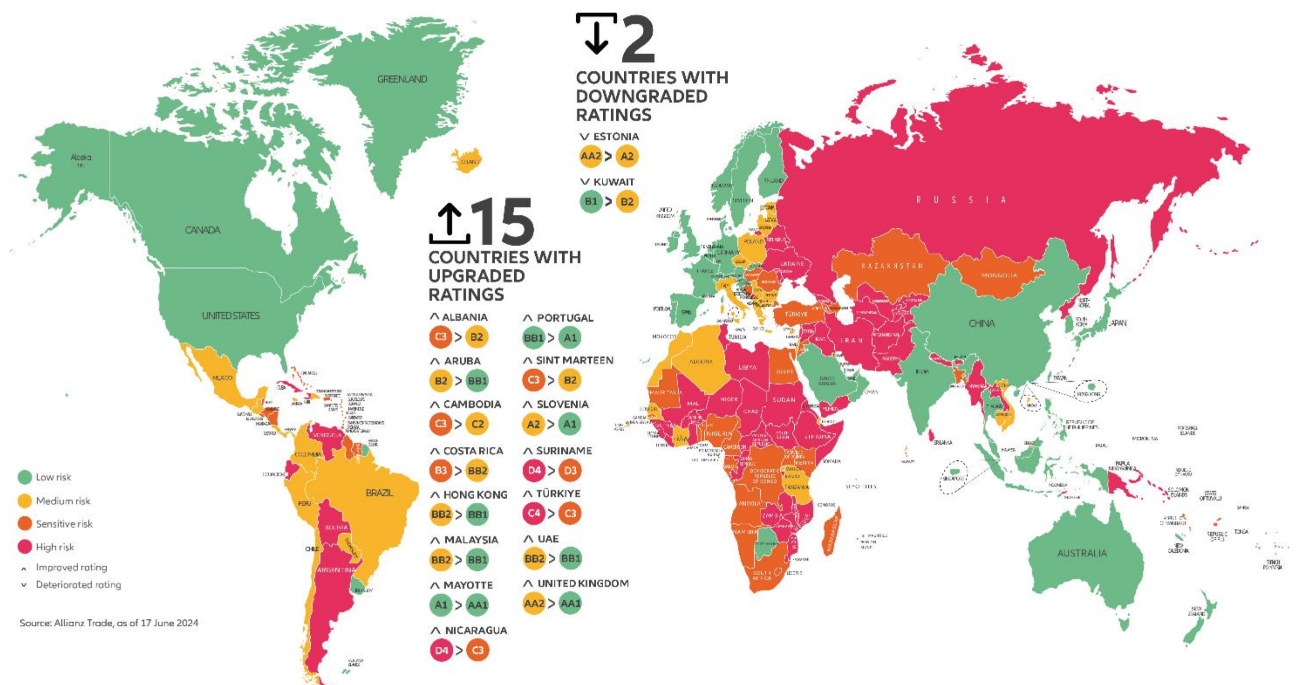
to hit 250bps and equity markets to fall -12%, as well as Italian spreads to widen up to 400bps before the ECB steps in with TPI.

Quarterly country and sector risk changes: Charting paths of recovery

Global country risk is showing signs of improvement despite lingering uncertainty and geopolitical risks. In Q2 2024, we upgraded the risk ratings of 15 countries and downgraded two. Global economic growth is expected to recover slightly to +2.8% in 2024-25 after bottoming out in the first half of the year. However, the manufacturing sector still faces excess supply and low demand, particularly in the Eurozone, where recession risks remain. With inflation moderating at a slower pace, central banks in the US and Eurozone are taking a cautious approach to easing monetary policy that is reverberating into the monetary policy of emerging markets.

In Europe, the **UK** and **Portugal** are charting paths of recovery and fiscal prudence amidst political recalibrations. Stronger GDP growth in the UK and effective inflation management signal a brighter outlook, tempered by concerns over service prices, continuous wage growth and a potential shift in government. Portugal's economy, bolstered by tourism and EU funding disbursements, retains a positive outlook despite a more fragmented political environment. **Slovenia's** resilience amidst regional challenges, signaled by its healthy GDP growth and fiscal prudence, stands in stark contrast to **Estonia's** deepening recession and persistent inflation, exacerbated by the war in Ukraine. **Türkiye's** adoption of a more orthodox economic policy in mid-2023 has led to significant improvements in its external balances, with the current account deficit decreasing to less than 3% of GDP and external debt reducing to 45% of GDP. Despite a substantial increase in the policy rate, the country has maintained strong real GDP growth, prompting an upgrade in the short-term rating. However, persistent issues remain, including the fiscal deficit, high inflation, rapid credit expansion, still subdued foreign investment and low foreign exchange reserves. Moving further eastwards, **Kuwait** faces economic and political headwinds, while the **UAE's** high consumer demand and strategic investments indicate a diversified and dynamic economy, albeit with downside risks tied to long-term investment strategies. In Asia, **Malaysia** and **Hong Kong** are poised for continued growth, leveraging domestic strengths and international trade. In Latin America, **Costa Rica's** strong growth trajectory is mirrored by fiscal achievements, while a more pragmatic approach in **Nicaragua** has favored better liquidity conditions.

Figure 1: Country risk map as of end-June 2024



Source: Allianz Research, Q2 Country Risk Map

Looking at sectors[1], we find a slight improvement in the risk environment, with 15 moving up and eight moving down. Still, this represents a low number of changes from a historical perspective, even when excluding the particular period during and after the Covid-19 pandemic. It follows two quarters with a net balance of changes in ratings close to zero (despite 13 and 23 cases in Q1 2024 and Q4 2023, respectively). This limited improvement reflects (i) the prolonged weakness of the global economic outlook, with recession risks persisting in the Eurozone and rising in the US, and China managing its growth slowdown, as well as (ii) the delayed easing in financial and monetary conditions and (iii) the number of risks and (geopolitical) uncertainties looming ahead. Better risk ratings are mainly found in the **transportation** sector in Latin America (Chile, Peru) and in Asia (Malaysia, Singapore), as well as the **energy** sector in Europe (Croatia, Greece, Slovenia), where the risk rating moved from sensitive to medium (Figure 2). In addition, it is worth noting that construction in Spain has exited the high-risk category, while agrifood in Morocco has returned to low risk. Conversely, downgrades occurred both in Western Europe and the Americas, all from medium to sensitive risk, with **household equipment** at the forefront due to changes in Canada, Denmark, Norway and Switzerland. As of Q2 2024, the global picture of ratings remains close to the previous quarter, with a small majority of sectors (55%) on the positive side (either low or medium risk). Yet, sector ratings are mostly either medium (46% i.e. +1pp q/q) or sensitive risk (41% i.e. -1pp) across all regions (Figure 3). The overall risk dispersion is noticeable between the comparatively safest region (Asia) and the riskiest (Latin America). Overall, there are still fewer low-risk sectors (10%) than before the pandemic (15% in Q4 2019) and three sectors still stand out with the slowest return to pre-crisis risk levels: automotive suppliers, retail and chemicals, followed by household equipment and textiles.

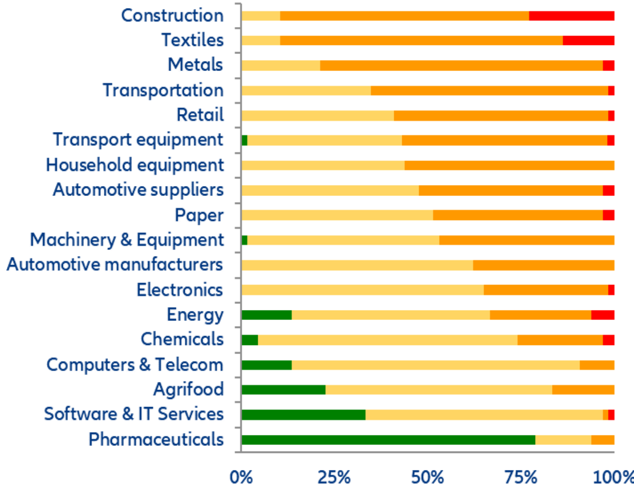
Figure 2: Q2 2024 changes in sector risk ratings

Sector	Country	Change in grade	From (Q1 24)	To (Q2 24)
Agrifood	Morocco	upgrade	🟡	🟢
Automotive manufacturers	Algeria	upgrade	🔴	🟠
Automotive suppliers	Algeria	upgrade	🔴	🟠
Automotive suppliers	Denmark	upgrade	🟠	🟡
Computer & telecom	Turkey	upgrade	🟠	🟡
Construction	Spain	upgrade	🔴	🟠
Energy	Croatia	upgrade	🟠	🟡
Energy	Greece	upgrade	🟠	🟡
Energy	Slovenia	upgrade	🟠	🟡
Machinery equipment	Chile	upgrade	🔴	🟠
Transport equipment	Norway	upgrade	🟠	🟡
Transportation	Chile	upgrade	🟠	🟡
Transportation	Malaysia	upgrade	🟠	🟡
Transportation	Peru	upgrade	🟠	🟡
Transportation	Singapore	upgrade	🟠	🟡
Agrifood	Ecuador	downgrade	🟡	🟠
Computer & telecom	Colombia	downgrade	🟡	🟠
Household equipment	Canada	downgrade	🟡	🟠
Household equipment	Denmark	downgrade	🟡	🟠
Household equipment	Norway	downgrade	🟡	🟠
Household equipment	Switzerland	downgrade	🟡	🟠
Machinery equipment	Luxembourg	downgrade	🟡	🟠
Pharmaceuticals	Colombia	downgrade	🟡	🟠

Source: Allianz Research, based on the Sector Risk Methodology and the Q2 2024 Sector Risk Map.

[1] *We review almost 1,200 industries (18 sectors in 66 countries).*

Figure 3: Sector risk ratings as of end-June 2024, in number of countries, by level of risk



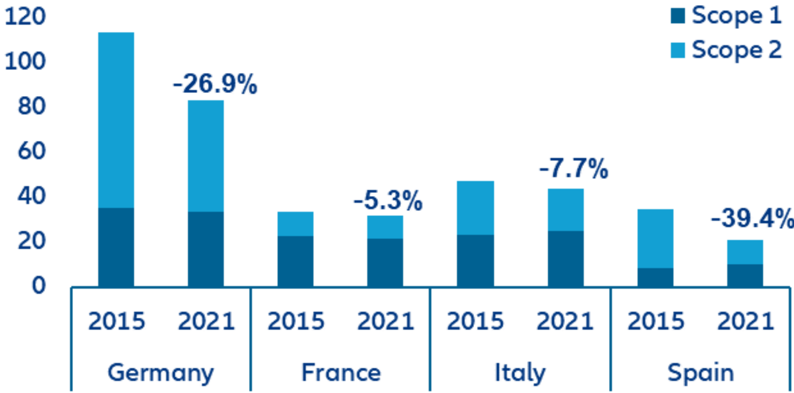
Source: Allianz Research

The risk of stranded assets in European commercial real estate

Accounting for roughly 40% of total energy consumption and 35% of energy-related CO2 emissions, the building sector is at the heart of the EUs net-zero ambitions. This is reflected in the EU Green Deal legislation, which sets an ambitious goal for the sector to reduce emissions by -60% by 2030, with an extended target of an -80-89% reduction by 2040 compared to 2015 levels. This target is slightly more ambitious than the EU's overall decarbonization goal of a -55% reduction by 2030. On the regulatory side, the guardrails for the sector's decarbonization have been set by the newly revised Energy Performance of Buildings Directive (EPBD), under which the buildings sector must gradually phase-out fossil fuel boilers starting in 2025 and adhere to a net-zero on-site emission requirement for newly constructed buildings after 2030. For non-residential buildings, the central steering element is an energy-efficiency classification system, combined with minimum energy performance standards (MEPS) that will be progressively tightened. This approach is designed to promote the gradual greening of the overall building stock by mandating the renovation of the worst-performing buildings over time. The current goal is to renovate 16% of the least efficient buildings by 2030 and 26% by 2033.

Some of the EU's largest economies have made significant progress towards achieving the Green Deal targets for non-residential properties. But there are notable differences between countries, particularly in electricity-related (Scope 2) emissions (see Figure 4). For instance, Germany still relies heavily on coal, which accounted for 26.1% of its electricity generation in 2023. In contrast, France benefits from its nuclear power plants, which generate over 60% of the country's electricity, resulting in significantly lower Scope 2 emissions compared to its direct (Scope 1) emissions. Spain, on the other hand, has seen a substantial increase in renewable energy from solar in recent years, leading to a significant reduction in its Scope 2 emissions and an overall decrease in emissions for non-residential buildings by -39.4% compared to 2015.

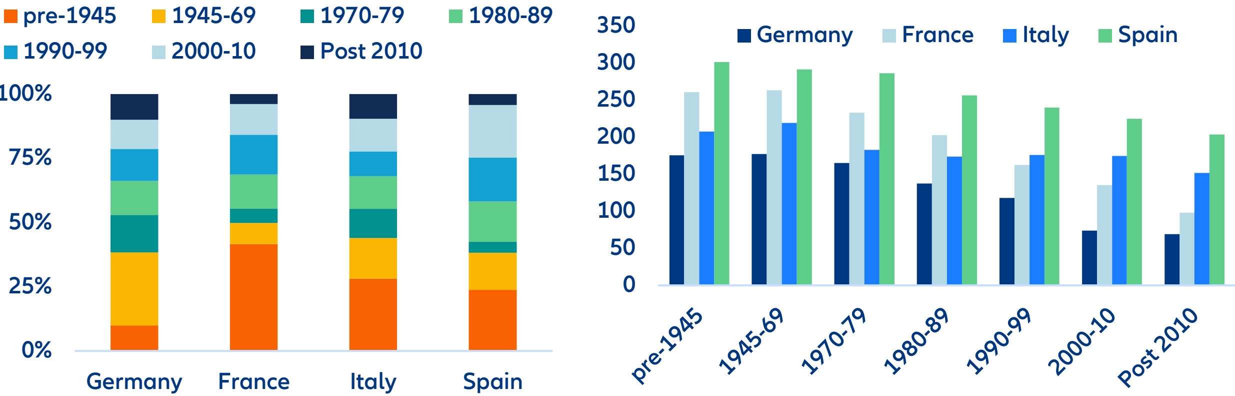
Figure 4: Emission reduction in non-residential buildings (in MtCOEe/year). Label on 2021 indicates the aggregated emission reduction of both scopes.



Source: EU Building Stock Observatory, Allianz Research.

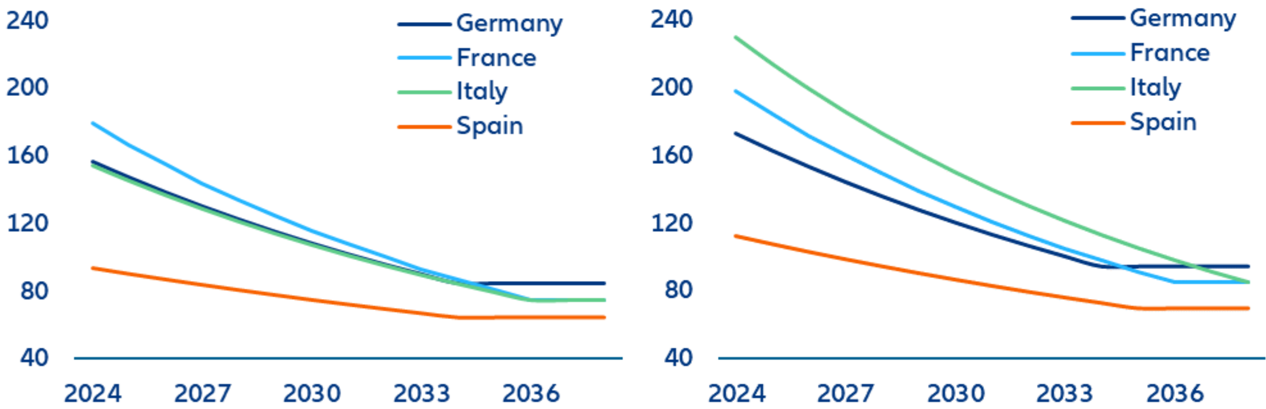
The age of the building stock (which can affect ventilation or isolation) and the motive of energy use (i.e. heating vs. cooling, related to geographical location) are fundamental as well. The stock of non-residential buildings is very heterogeneous, but they all share one common characteristic: more than 75% were built before the 2000s and less than 10% were built after the GFC (Figure 5). This means that they were built without the latest technical advances and with a different rationale when it comes to energy consumption. If we consider the 2024 pathway consistent with keeping the temperature increase at 1.5°C (Figure 6), around 60% of German and French offices would already be non-compliant. In Italy and Spain, the average building constructed in the 2010s (i.e. the most energy efficient of the stock) already has higher emissions than would be allowed in terms of kWh/m^2. In the case of multifamily buildings, it would be above the 60% for France, Germany and Italy. Spain is the only country that performs better in this category because of its slower uptake of air conditioning.

Figure 5: Non-residential buildings profile: age structure (left) vs. average energy consumption (in kWh/m^2 year, right).



Sources: EU Building Stock Observatory, Allianz Research

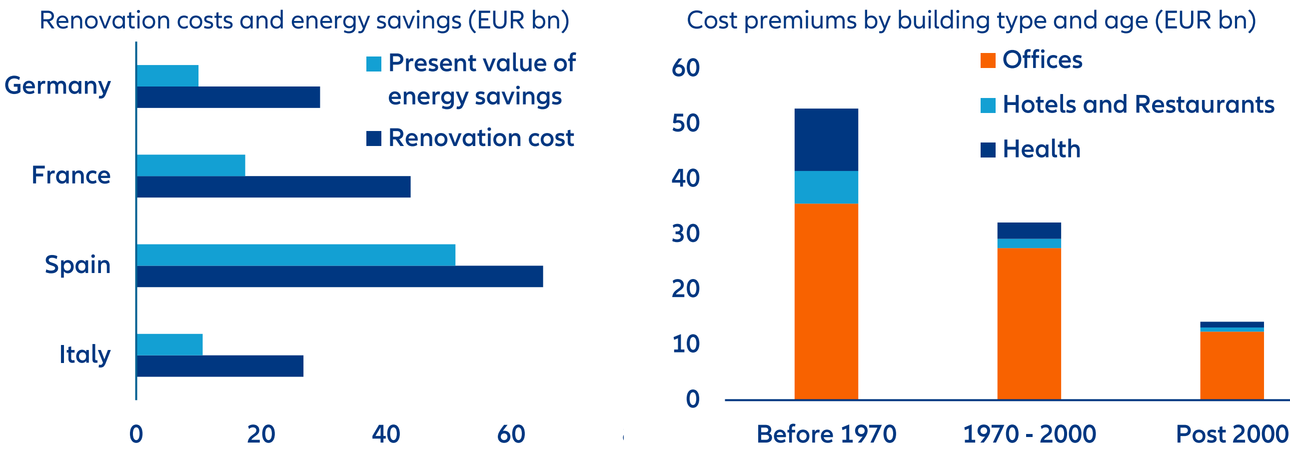
Figure 6: Buildings 1.5°C consistent emissions pathways (left: office; right: hotels & restaurants); in kWh/m² year



Sources: CRREM (Carbon Risk Real Estate Monitor), Allianz Research.

Nevertheless, all countries need to make substantial additional progress on the demand side to improve the efficiency of their building stocks, which will require costly large-scale renovations. Assuming a post-renovation usage life of 20 years, we estimate the total renovation costs for non-residential real estate in Germany, France, Spain and Italy to be approximately EUR165bn to achieve the 1.5°C compliance target established for 2024 (Figure 7). While the savings from reduced energy bills post-renovation are substantial – total energy consumption is expected to decrease by -67.2%, with the present value of total energy savings across the four countries over the 20 years reaching EUR89.1bn – a premium remains across all nations. Spain stands out despite its relatively newer building profile, with the highest projected renovation costs (EUR65bn) and the highest total energy savings (EUR51bn) due to much more ambitious targets for 2024 and poorer energy performance across all building ages. Conversely, France, with the oldest building profile and relatively high unit renovation costs, is expected to have the widest gap between renovation costs and energy savings. Examining different building types and ages, we find that the cost premiums are notably high for office buildings, owing to their current high energy consumption and extensive renovation needs, and for buildings constructed before 1970, which are generally the least energy efficient (Figure 15). While the current European regulation only gradually targets the worst-performing buildings, properties that are out of scope now could soon be in scope as the building stock becomes more energy efficient[2]. Nevertheless, renovations are likely to enhance asset value and market attractiveness.

Figure 7: Cost-benefit analysis of energy renovation in Germany, France, Spain and Italy

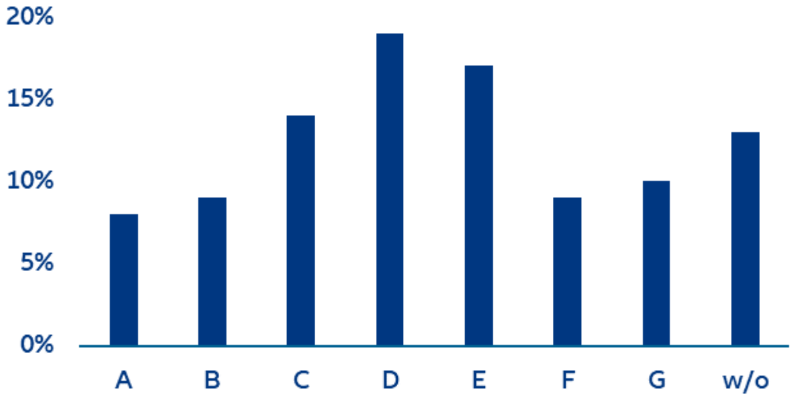


Sources: CRREM, European Commission, Eurostat, LSEG datastream, Allianz Research

[2] *There are likely going to be country-specific exemptions covering a subset of the building stock, including for instance historical buildings and holiday homes, but the largest share will have to comply with the MEPS.*

Without renovations, we estimate that European banks' portfolios could have EUR400bn worth of commercial real estate at risk of becoming stranded assets in the next decade. For players in the real estate world, building regulations pose a direct threat to the valuation of portfolios at a time when commercial real estate is already suffering from high interest rates, tightening financing conditions and structural changes such as the normalization of hybrid working in some subsectors. But valuation losses are not the only problem. The list also includes the likely need for costly renovations, the higher risk of vacancy and increased borrowing and insurance costs as banks and insurers also face stricter climate targets. As a result, we expect increasing selectivity in commercial real estate investments, with a focus on both asset types and energy-efficiency levels. This selectivity is also tied with the real risk that many buildings that fail to meet energy-efficiency standards may eventually become stranded[3] assets. Indeed, previous EBA and ECB stress tests have overlooked transition risks to real estate arising from regulatory changes, focusing more on physical risks and transition risks based on the carbon-intensity of the sector. For example, in the 2022 Stress Test Scenario, the cumulated impact on commercial real estate prices caused by transition risks in the "disorderly scenario", modelled through an abrupt increase in carbon emissions, would be of 2pps less growth than the baseline over three years. On the other hand, the impacts on commercial real estate prices of severe floods were between -3% – for the least affected areas – to -45% for those in the areas most affected. As such, the extrapolation of the losses in those scenarios for the current regulatory shock should be taken with caution. Alternatively, data on EPC ratings from the ECB show that only 50% of real estate exposure has a rating of D or better[4] (Figure 8). Assuming those proportions, we find that EUR400bn worth of commercial real estate exposure would need to undergo renovation or risk becoming stranded.

Figure 8: Mortgage and real estate-secured exposures per EPC rating, EZ banks



Sources: ECB, Allianz Research. W/o: bank exposure without assigned labels.

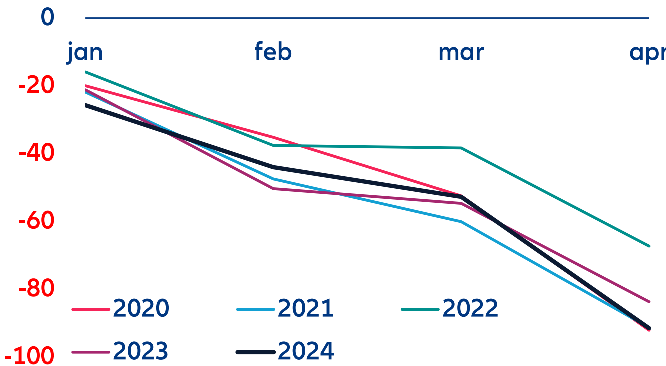
[3] *The concept "stranded" is used to strengthen the point, but a building always has residual value if only via the land it stands on.*

[4] *EPC stands for Energy Performing Certificate, and labels buildings from A to G in descending order of energy efficiency (that is, A being the low-energy consumption buildings).*

French elections: The good, the bad and the ugly for markets

Before the elections, France would have had to adjust its fiscal deficit by ca. 1pp per year over the next four years (EUR110bn of adjustment). In our past weekly publications[5], we showed that this financing problem could double with radical programmatic platforms. Fiscal will be central for markets. Before the dissolution of the National Assembly, the French government was aiming for a public deficit of 5.1% GDP in 2024 (after 5.5% in 2023), followed by a very ambitious reduction to 4.1% GDP in 2025 that was to be fueled by EUR35bn of planned savings. The last commensurate adjustment was in 2011-16 and rhymed with zero growth. Should a technocratic government come to power (our baseline scenario), with no party holding a majority, we would expect the passing of a mini budget in autumn, with little tax and spending changes. The next government could try to deliver a modest EUR 5bn of savings per year to assuage the European Commission (and financial markets), for instance by not renewing some credits to ministries or freezing income tax brackets. In this scenario, the public deficit would be reined in to just below 5% GDP in 2025, i.e. still a significant deviation from what it announced but a better outcome than under a far-left or far-right government (the deficit would widen instead to 5.7% or 6.0% of GDP, respectively). In case of **a** NFP majority, sequencing measures will be essential to avoid increasing deficits, while in the case of the RN, financing needs could be massive though deficit forecasting is difficult: from 14 June to 24 June, expected expenditures were divided by three as their credibility was questioned. Details can be found in our past weekly editions.

Figure 9: France's cumulative budget deficits by year through April (EUR Bn)



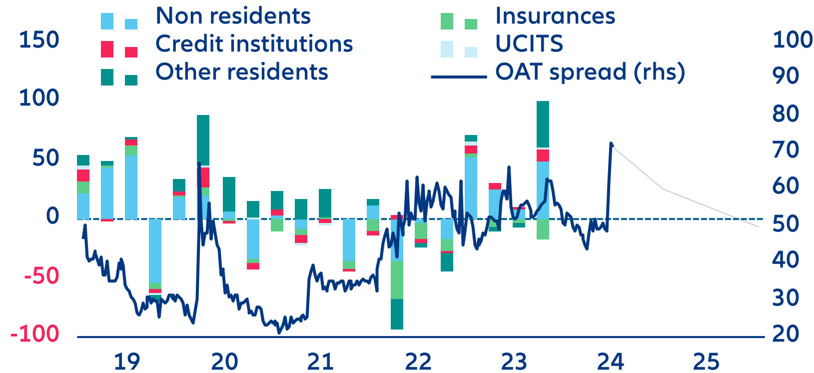
Sources: French Ministry of Finance, Allianz Research

A technocratic or hung parliament would see markets looking to buy the dip, with investors demanding a slightly higher risk premium on French assets compared to pre-election levels. The primary economic and market impact would arise from the time required to agree on a Prime Minister, whether a technocrat/centrist figure or a member of the largest party in Parliament. However, the inherent instability of such a fragile government and the risk of new legislative elections being called as early as July 2025, or even the possibility that President Macron resigns at any time, will lead investors to demand a structurally higher risk premium for French assets compared to their pre-election pricing. In this situation, we expect French 10y OAT spreads to finish 2024 close to 60bps (+20bps compared to our pre-European elections forecasts) and to slowly decline thereafter on the back of a clearer deficit trajectory (which could impact supply and ratings in the medium-term) and declining political and economic uncertainty. This scenario is also the most favorable for international investors, who have been the main drivers of the relatively strong demand for French government bonds over the past year (Figure 10). For risky assets, the low local revenue exposure of French traded corporates provides structural resilience against local economic dynamics (Figure 11). Consequently, we expect limited negative effects on our baseline forecasts for corporate debt and equity. However, this does not mean there will be no impact. Irrespective of the election outcome, we expect a shift towards a less business-friendly environment, which will likely put downward pressure on both credit and equity return

[5] What to watch I June 21, 2024 (allianz.com) and What to watch I June 14, 2024 (allianz.com)

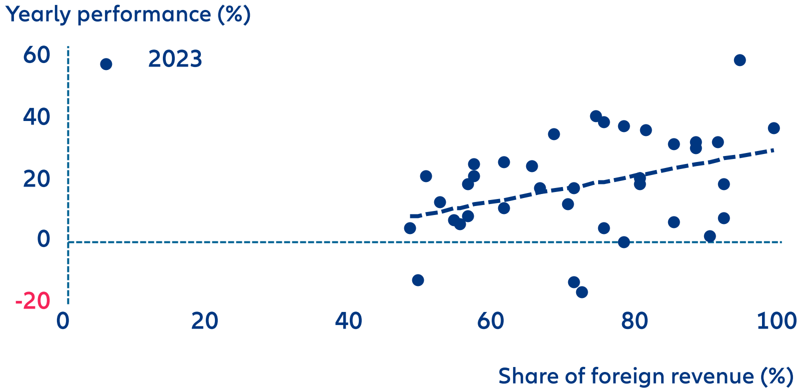
expectations. In numbers, we anticipate investment-grade corporate spreads to converge towards 120bps for both 2024 and 2025, and equity markets to achieve total returns of +7% in 2024 and +10% in 2025.

Figure 10: France bond ownership quarterly changes and 10y OAT spread in bn EUR (lhs) and bps (rhs)



Sources: LSEG Datastream, Allianz Research

Figure 11: France CAC 40 ex-France revenue exposure



Sources: Datastream Worldscope, LSEG Datastream, Allianz Research

Should a far-right or far-left government come to power, we see two possible market outcomes. The “bad” scenario would be a persistent increase in the French risk premium due to a structurally higher fiscal deficit and moderate anti-European and anti-corporate rhetoric, with negative consequences for domestic financial markets but limited contagion to the rest of Europe (Table 1). A majority win by one of the more radical coalitions, either left or right, would surely trigger a further risk-off move in French assets. Above all, a significant increase in the already high fiscal deficit to either 5.7% in 2025 (right-wing majority) or 6.0% (left-wing majority, see Table 1) would cause French government bond spreads to widen further to at least 90bps. These moves would be in line with at least one or two further sovereign rating downgrades (Figure 13). However, if the risk-off aversion stays within French borders, the ECB would most certainly not intervene because absolute interest rates for France would not be at a level that would threaten "market functioning". In fact, yields on 10y French government bonds are now almost at the same level as before the snap election announcement despite higher spreads versus Germany, the result of safe-haven demand pulling down German yields. So even if French spreads widen to 90bps, absolute yield levels would still be below 2023 highs, which were above 3.5% (Figure 12). Such a level would not deter investors from buying French government bonds, preserving market functioning – a crucial condition for the ECB to intervene in bond markets through its Transmission Protection Instrument (TPI). There would simply be no justification for

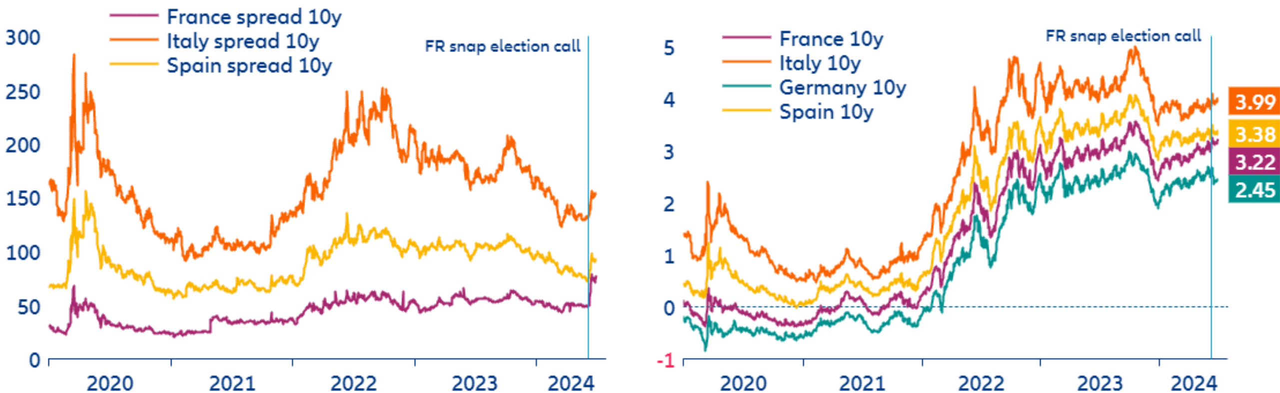
supporting French debt if interest rates are still far below those of other Eurozone countries – in particular Italy, where they are currently hovering around 4%. Still, in this scenario, French risky assets would suffer significantly, with corporate credit spreads nearing 200bps and equity markets experiencing a -6% correction. Despite this, we expect the diversified earnings and fundamental resilience of French companies to mitigate the impact, preventing a worse outcome. However, legislative risks for the private sector would remain high, and market uncertainty would likely stay elevated. On the macro front, capital flight might continue but largely affecting France, not Europe. The first signs of this can be seen in the year-to-date trend of Target2 accounts, which fell in the case of France whereas other negative account holders, in particular Italy, improved (Figure 14). As the last data point of this monthly series is April, this dynamic does not yet reflect the increased nervousness following the snap election call but already accompanies the depressed sentiment in light of rising deficits and the sovereign rating downgrade by S&P.

Table 1: French elections summary table

			Technocratic-Front Republicain (50%)		Majority Rassemblement National (25%)		Majority Nouveau Front Populaire (25%)	
			Moderate fiscal tightening of 0.2% GDP to assuage markets and EC. GDP growth unchanged in 2025		*Fiscal expansion of 1% GDP spread over 2025-26; GDP growth shelved by -0.3pp in 2025 as tighter financial conditions bite*		*Fiscal expansion of 1.2% GDP spread over 2025-26; Strong increase in minimum wage; GDP growth shelved by -0.3pp in 2025 as tighter financial conditions bite*	
Economic indicators	Unit	2023	2024	2025	2024	2025	2024	2025
Real GDP growth	%	1.1	0.9	1.3	0.8	1.0	0.8	1.0
Inflation	%	4.9	2.3	1.8	2.3	1.7	2.3	2.2
Fiscal deficit	% of GDP	5.5	5.2	4.9	5.3	5.7	5.4	6.0
Market outcomes			Buy the dip (50%)		Increased FR risk premium (40%)		Euro crisis (10%)	
Market indicators	Unit	2023	2024	2025	2024	2025	2024	2025
10y OAT spread	%	53	60	50	90	70	120	90
ECB activates TPI			No		Unlikely		Likely	
IG – Corp. spread	bps	133	120	120	190	150	250	190
CAC40	ytd%	16.5	+7	+10	-6	+5	-12	+9
House price	ytd%	-1.5	-2.4	+1.6	-3.2	+1.2	-3.7	+1.7

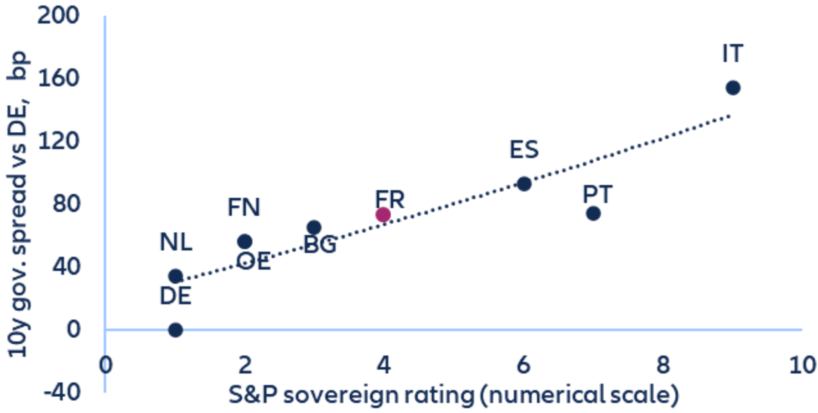
Source: Allianz Research

Figure 12: Sovereign bond spreads ytd, in bps and yields in %



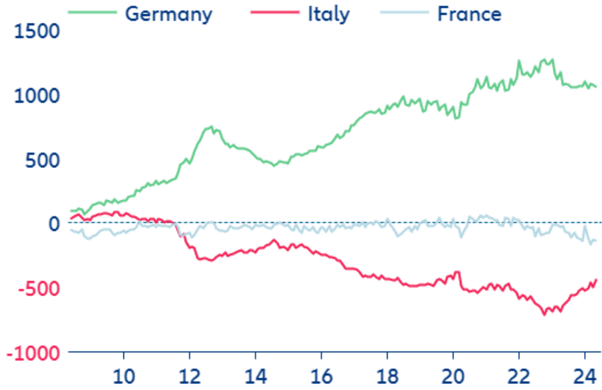
Sources: LSEG Datastream, Allianz Research

Figure 13: Sovereign rating and government bond spreads in bps



Sources: LSEG Datastream, Allianz Research

Figure 14: Target 2 accounts in Eur bn

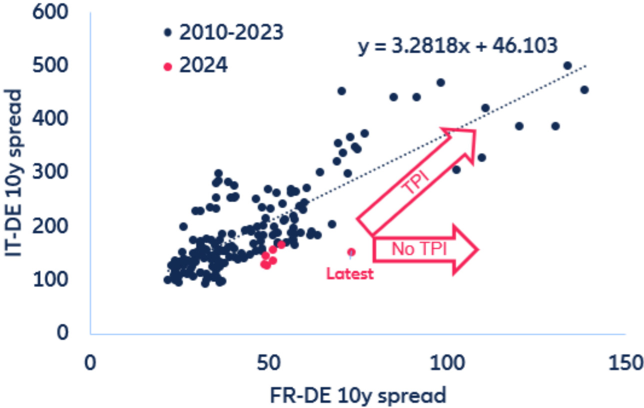


Sources: LSEG Datastream, Allianz Research

In the worst-case scenario, we could see the repetition of the 2012 "euro crisis" market scenario. But this time the "ECB put" would be in place from the very beginning. Should the new French government adopt a contra-EU stance, it could trigger significant contagion across Eurozone markets. A potential catalyst might be the government's threat to slash net contributions to the Eurozone budget by a substantial amount. Given the scale of current contributions, such a move could destabilize the existing Eurozone framework, particularly as other major net contributors, like Germany and the Netherlands, might retaliate to avoid becoming the sole major financiers (Figure 15). This scenario would likely threaten the very existence of the Eurozone, causing government bond spreads to widen, not just in France but also elsewhere, particularly in Italy. So far this year, spread movements by France and Italy appear to have decoupled. Historically, a 20bps widening in French spreads would result on average in a 66bps increase in Italian spreads; however, after the announcement of snap elections, French spreads widened by 20bps whereas Italian spreads widened only 18bps. This change suggests that current investor concerns are primarily focused on France's deteriorating fiscal situation, and thereby a largely domestic issue. Yet, should a more radical government come into power and Eurozone fragmentation risks intensify, we might see the historical relationship reassert itself. If French spreads were to widen to 120bps, Italian spreads could rapidly widen to 400bps (Figure 16). Rates above 6% in Italy are instantly unsustainable. Therefore, such a development would compel the ECB to activate its TPI – a mechanism akin to a "whatever-it-takes" quantitative easing approach. Even though it has never been used to date, there is no doubt that it will be effective. Nevertheless, moving in this direction could trigger industry-wide alarm, undermine consumer and business confidence and potentially plunge Europe into a demand-driven recession. In this crisis scenario, the ECB would not only revert to aggressive quantitative easing but also accelerate rate cuts. Amid a depreciation of the euro and falling stock markets, capital flight from the EU would increase. In particular, the expected impact on French risky assets in such a scenario could be severe, with

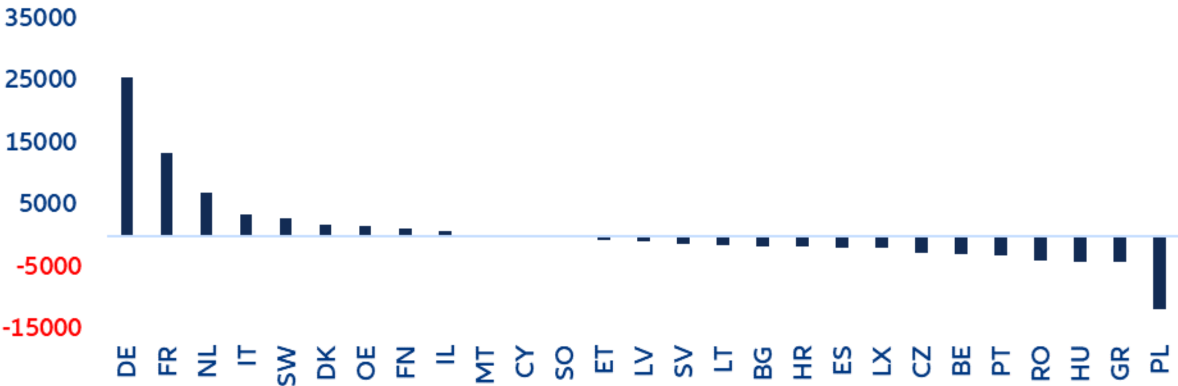
investment-grade spreads potentially reaching 250bps and equity markets correcting by over -10%. In response to such conditions, we might also see the ECB either activate or suggest the activation of a Corporate-TPI-like instrument. This would aim to prevent not only French but also European corporates from rapidly losing access to market financing, thereby supporting European credit and equity markets.

Figure 15: Monthly 10y government bond spreads vs. Germany, Italy (y-axis) and France (x-axis), bps



Sources: LSEG Datastream, Allianz Research

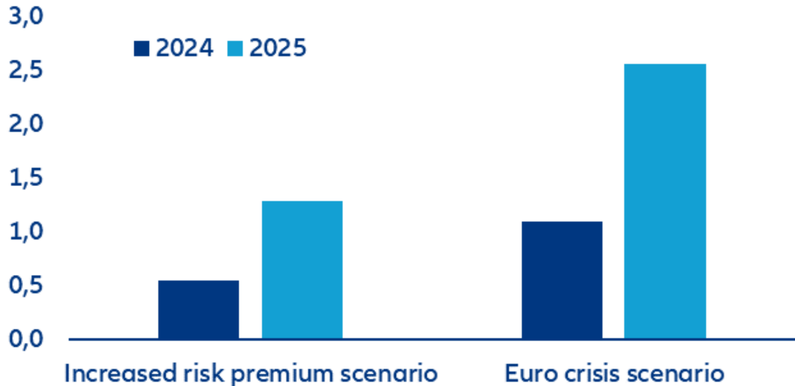
Figure 16: Net contributions to EU budget, 2021, EUR bn



Source: Statista

Under any scenario of a radical majority government, the increased risk premium would add around EUR0.5bn of interest expenses in 2024 but EUR1.3bn in 2025 (Figure 17). The 90/70bps spread we would expect in 2024/2025 under a radical government (see Table 1) would be costly for French public finances as the government would issue bonds with higher interest rates than otherwise would the case. We estimate that interest expenses would be around EUR0.5bn higher in 2024 and EUR1.3bn in 2025 compared to a scenario of a technocratic government. In the case of a euro crisis (spread 120/90), the bill would increase dramatically to around EUR1.1bn in 2024 and EUR2.7bn in 2025.

Figure 17: France's government interest expenses (EUR bn) under a radical (majority) government



Source: Allianz Research

These assessments are, as always, subject to the disclaimer provided below.

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