

COUNTRY REPORT | EQUITY AND BOND MARKETS

France's debt crisis deepens: 119% debt-to-GDP, default insurance at 2012 highs

French borrowing costs are flashing eurozone-crisis signals, and the economy has slipped into contraction. The ECB says the fix has to come from Paris.

By **Manasee Kurlekar** | October 24, 2026



France's debt scare is now hitting the real economy.

On Thursday, the cost of insuring French government debt against default, five-year credit default swaps, rose above 100 basis points for the first time since October 2012, when the eurozone was in its sovereign debt crisis.

The numbers behind it are stark. *One chief economist put France's debt-to-GDP at 119% at the end of Q2 2026, close to Greece's 128% in late 2009.*

French public debt reached €3.6 trillion in the second quarter of 2026, equal to 119% of GDP, up from 115.6% a year earlier. The government expects a 2026 deficit of 5.4% of GDP. Its growth forecast has been cut to just 0.5%.

The economy is now feeling it. October business surveys show French companies already cutting jobs and reporting their weakest expectations in more than six years. The euro is trading near \$1.12, more than 4% below its August high.

Investors who could leave fast also hold more of the debt than before. Overseas investors hold nearly 60% of French debt, up from around 48% at the start of 2022, which could mean bigger swings when markets turn risk-off.

Don't expect a rescue from Frankfurt: ECB President Christine Lagarde said the first solution lies at home in France, through its fiscal policy. The risk is that it spreads. Oxford Economics warns that a severe bond shock could push both France and Italy into recession in 2027.

Read online: <https://worldbusinesswatch.com/country-report/51/310/frances-debt-crisis-deepens-119-debt-to-gdp-default-insurance-at-2012-highs.html>

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