



**New Year address by the Governor of the Banque de France – Paris, 12
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**Speech by François Villeroy de Galhau,
Governor of the Banque de France,
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Madam Minister, Ladies and gentlemen Presidents and Secretaries General,
Ladies and gentlemen, dear friends,

First, alongside the Banque de France and the ACPR, I would like to extend our warmest wishes to you, our day-to-day partners: public officials and elected representatives, the financial community and entrepreneurs, journalists. Thank you for being here, on behalf also of Denis Beau, Jean-Paul Faugère and Nathalie Aufauvre. The past year can be summed up with the simple phrase: “Private happiness, public disorder”. For 2026, I wish you and your loved ones much personal happiness. As for the public disorder, it would be risky to expect it to diminish; but I wish us all the courage to remain steadfast in our state duties and to uphold our convictions. Resilience and hope are undoubtedly the two leading virtues of our time; in recent years we have strengthened the former, so let us hold on to the latter for the future.

To start with, a quick look back at 2025 by returning to three wishes I made before you last year and that have come true. First, I wished for a year of key rate cuts in Europe and that we might reach the neutral rate of around 2%ⁱ by the summer of 2025: that’s precisely where we’ve been since June last year. Second, an initial – modest – decline in France’s deficit, to 5.4% of GDP for 2025: that should be the case. Lastly, a year without recession: French growth has proved resilient, albeit insufficient, at 0.9%, despite the instability in our political landscape and in the international environment. Credit for this should go above all to the tenacious commitment of our entrepreneurs and the work of the French people. I commend them, as well as the mobilisation of our financial system – banks and insurers – at their service, which is one of France’s strengths. The recovery in lending for house purchases, with a 35% rise in new loans in 2025, is an example of this.

Now let’s set our sights on 2026. I shall begin the new year by looking back at a century of our long history, before making two economic wishes.

The historical lessons of the Poincaré Plan

This year marks the centenary of the “Poincaré Plan”, an emblematic episode from which we can draw a number of lessons. From 1924 to 1926, the French economy gradually descended into crisis, marked by deteriorating public finances and government instability – eight ministers of finance in under two years. Under the leadership of its governor, Émile Moreau (1926-1930), the Banque de France helped to stabilise the franc at the end of 1926 at a level conducive to confidence, while Prime Minister Raymond Poincaré restored France’s fiscal credibility. He finally promulgated the monetary law of 25 June 1928 which marked the birth of the “Poincaré” franc.

This turning point sent a powerful signal: confidence can be restored, even before the economic benefits materialise, when courageous decisions are made. We have done it in the past. Raymond Poincaré, a native of Lorraine who – let us not forget – was also the man behind the “Union Sacrée”, said so in words that still resonate today: “the final victory will be the reward for moral strength and perseverance”.ⁱⁱ As we begin 2026, allow me to hope for the final victory, and, with that in mind, to make two wishes – which remain economic – for perseverance and moral strength.

Perseverance in our monetary policy

With inflation at 2% in the euro area and 0.7% in France in December 2025, we have won the battle against inflation. Helped by the credibility stemming from independence, we have succeeded, alongside Christine Lagarde, in getting back to our target without a recession or significant rise in unemployment, contrary to what happened in previous oil shocks and to many observers’ fears.

One does not change a winning monetary policy, and the topic would become almost boring if it weren’t for two misconceptions that are still floating around. The first, which we only see brought up in our country, is that our monetary policy is overly restrictive compared with the United States. Let me just point out the obvious: the ECB is already far more accommodative than the Fed. Our deposit facility rate is at 2%, compared with 3.62% for US rates and 3.75% for UK rates. And the public sector securities on the ECB balance sheet still amount to 22% of GDP, compared with just 14% in the United States.

The other misconception is, conversely, that we could raise rates this year. Barring an unlikely shock, this is a fanciful theory, given the latest figures showing underlying inflation has fallen back to 2.3%, wage moderation – which is particularly strong in our country – the influx of low-cost Chinese imports, and the possibility of a fall in the dollar if the Fed's independence is challenged. We shall remain pragmatic and agile in the face of these risks. Regarding the Fed, I want to reiterate loudly and clearly my full solidarity and my admiration for Jay Powell, a model of integrity and commitment to the public interest.

One issue, however, is long-term rates, which rose to over 3.5% on the 10-year OAT in 2025. European monetary policy is not to blame for this; the main cause is a combination of expansionary fiscal policies in several advanced economies and higher inflation expectations in the United States.

Moral strength: ending the fiscal denial in France and economic decline in Europe

This brings me to my second “Poincaré wish” regarding moral strength, and it is a two-pronged wish: neither denial nor decline. In France, we tend to be too complacent about our weaknesses and not confident enough in our French and European strengths.

Ending France's fiscal denial

Our cardinal weakness, of course, is public finances. Bringing our overall public deficit down to a maximum of 5% of GDP in 2026 is both indispensable and still achievable.

Indispensable because France would clearly be putting itself in the red zone, the danger zone, if its deficit stayed above 5%, as financial markets may look calm for now, but they are always at risk of brutal reversals, especially in 2026's adventurous geopolitical environment. If we fail to lower our deficit again in 2026, towards the target of 3% in 2029, our country risks, not bankruptcy, but a triple suffocation. First, fiscal suffocation: our debt interest payments will rise by EUR 70 billion over ten years, resources that we will no longer be able to spend on core priorities. Then, economic suffocation, via the higher cost of financing

linked to our spread, which affects our ability to invest. Lastly, generational suffocation: recent fiscal choices, including in the social security budget, clearly go against the interests of the young. More spending on pensions and health care for seniors – myself included – financed by bigger deficits left behind for future generations; that's the hallmark of a gerontocratic social budget.

Reduction is therefore indispensable and still achievable. It is within our grasp, on one condition: for the sake of our national interest, it is imperative that we rapidly move beyond the posturing and find compromises and greater unity – here again, the spirit of Poincaré. A fairly clear combination is needed and will suffice: first and foremost, a stabilisation of France's public spending in volume terms, which is not just the highest in Europe but also in the world. On the revenue side, our country can and must make taxation more stable and more equitable. There are some natural steps we can take for the sake of fairness; as long as the deficit remains above 3%, targeted and exceptional measures may also remain justified. But for the rest, the wise choice is to stop messing about with our taxes. The tax creativity in our parliamentary debates, however theoretical, has a very real and negative impact on entrepreneurs' morale.

Rejecting Europe's economic decline

We also need to rebuild confidence in our strengths. The euro is a huge economic and political success,ⁱⁱⁱ supported by 82%^{iv} of European citizens and 76% of French people. Bulgaria's integration into the euro area on 1 January as the 21st member is further testament to its enduring appeal.

But this monetary sovereignty has not been converted into genuine economic and financial sovereignty. We Europeans have considerable assets: a very large internal market, abundant private savings and a wealth of digital talent. We Europeans have a clear roadmap, set out in the Draghi^v and Letta^{vi} reports. 2025 should have seen Europe's strategic awakening, but the progress made so far remains too partial, too "traditional". Let us draw at least one lesson from the excesses across the Atlantic: we must act faster, more clearly and more forcefully.

I therefore need to reiterate three imperatives, three i's. First, *better integrate* the single market, notably with the creation of an optional 28th regime by 2028.^{vii} Second *invest better*. I welcome the March 2025 action plan on the Savings and Investments Union,^{viii} but we still need to “step up the pressure” towards one priority: European equity and venture capital financing. Third, *innovate* more, and, for that, dare and simplify. Simplification remains a sensitive issue for you, the professional community. Let me repeat, we will not engage in any dangerous, American-style deregulation, but we must move forward. The ECB and Single Supervisory Mechanism (SSM) published their two initial reports in December. The first^{ix} sets out recommendations on simplifying regulations for the European Commission and its overall review of financial sector competitiveness. The second^x aims for more effective supervision, via a more risk-based approach and simplified reporting. These two reports are not the whole story, but they are a first step forward and a basis for action: use them and encourage them.

And let's dare to innovate among Europeans, as part of public-private partnerships. In the field of money and payments, we have before us the promise of tokenisation and the great challenge of European sovereignty. For financial and wholesale transactions, 2026 will see the first central bank digital currency (the Pontes project) and, I hope, the first commercial tokenised currencies denominated in euro – tokenised bank deposits or stablecoins. In the retail segment, it will be the digital euro – with the hoped-for green light from Parliament in May, after the Council's approval in December – **combined** with one or more private payment schemes such as Wero/EPI. I believe in this winning duo, rather than in a euro-European war which would only produce American winners.

Lastly, in response to America's newfound protectionism and China's trade offensive, Europe must diversify its partnerships. France needs to take the agricultural malaise seriously, but it has nothing to fear from the Mercosur deal.

I shall conclude with one final wish for 2026: that we may free ourselves a little from two equally deadly obsessions – our quarrels and the new US administration. Our economic destiny is in our hands, if and only if we want it.

I would like to quote another Poincaré, this time the great mathematician Henri, Raymond's cousin: "Doubting everything or believing everything are two equally convenient solutions, both of which dispense us from thinking." "Doubting everything" is the disease of our time and our continent; "believing everything", on the other hand, poses little threat to us, but at least it means still believing in France and in our values. And to do that, we also need to "think" – a pre-election year should be the perfect time for that – ... as well as act – a pre-election year should not prevent us from doing so. You can count on the Banque de France and ACPR to continue acting resolutely this year.

Happy New Year 2026 to you, to our beloved country, and to Europe!

ⁱ European central bank (ECB), [Key ECB interest rates](#)

ⁱⁱ Speech given on 14 July 1915 by Raymond Poincaré, President of the Republic, to mark the transfer of Rouget de Lisle's ashes to the Hôtel National des Invalides. Source: [archives of the department of Rhône](#).

ⁱⁱⁱ Bénassy-Quéré (A.), Villeroy de Galhau (F.) (2025), "[La rupture économique, ou idéologique, réside dans la privatisation possible de la monnaie](#)", *Le Monde*, 4 November.

^{iv} [Standard Eurobarometer 104 - autumn 2025](#)

^v Draghi (M.) (2024), "[The Future of European competitiveness](#)", September.

^{vi} Letta (E.) (2024), [Much more than a market](#), April.

^{vii} Coste (O.), Coatanlem (Y.) (2024), "*The Cost of Failure and the Quest for Competitiveness: Disruptive Innovation as a Catalyst*". *IEP Policy Brief* n 24, IEP Bocconi

^{viii} European Commission (2025), "[SIU strategy to enhance financial opportunities for EU citizens and businesses](#)", 19 March.

^{ix} European Central Bank (ECB), (2025), [Simplification of the European prudential regulatory, supervisory and reporting framework](#), December.

^x European Central Bank (ECB), (2025), [Streamlining supervision, safeguarding resilience](#), December.