

French Republic

Rating report

Rating rationale

Large and diversified economy: France's credit ratings benefit from its large economy, high GDP per capita, and a diversified economic structure driven by high value-added activities. The economy also benefits from the implementation of supply-side reforms, including those affecting pension and unemployment benefit systems.

Core euro area member: France is an EU founding member, a leading guarantor of the European institutional framework and a key member state in driving and preserving the consolidation of European integration.

Favourable debt profile and excellent market access: France benefits from a favourable debt profile and an excellent market access, providing partial mitigants to risks associated with a challenging fiscal trajectory and a high debt stock in a rising interest payment environment.

Sound and resilient banking sector: Despite sluggish business prospects, the French banking sector displays favourable capitalisation ratios supported by comfortable profitability driven by rising interest margins, underpinning banks' capacity to absorb external shocks.

Rating challenges include: i) weakening public finances, including a high public debt-to-GDP ratio, sustained primary fiscal deficits, and an uneven track record of fiscal consolidation; ii) growing political fragmentation and polarisation, potentially limiting the government's ability to address structural pressures through ambitious reforms; and iii) a moderate growth potential, constrained by slowing productivity gains and persistent labour market bottlenecks.

Figure 1: France's sovereign rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aaa	EUR	France	1/3	AA
Public finance risk		20%	bb			1/3	
External economic risk		10%	b+			1/3	
Financial stability risk		10%	a+			1/3	
ESG risk	Environmental factors	5%	aa	[+1]	[-0]	1/3	
	Social factors	7.5%	b-			0	
	Governance factors	12.5%	aaa			0	
Sovereign Quantitative Model				a+		+2	
Additional considerations						0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

AA/Negative

Senior unsecured debt

AA/Negative

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AA/Negative

Senior unsecured debt

AA/Negative

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

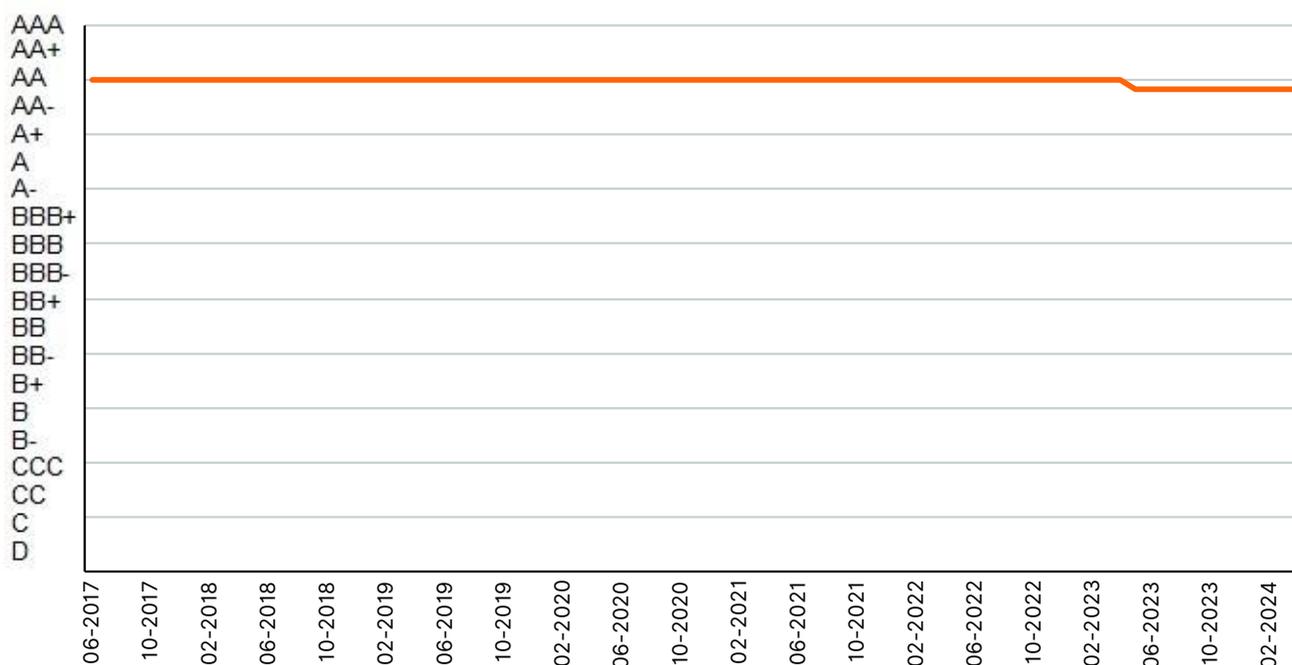
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • Large and diversified economy • Core euro area member • Favourable debt profile and excellent market access • Sound and resilient banking sector 	<ul style="list-style-type: none"> • High public debt, persistent deficits, and uneven fiscal consolidation track record • Growing political fragmentation and polarisation • Moderate growth potential

Outlook and rating triggers

The Negative Outlook reflects Scope’s view that risks to the ratings are skewed to the downside.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> • Improved fiscal outlook, for example, budgetary consolidation, structurally declining public debt-to-GDP trajectory • Growth outlook improved significantly 	<ul style="list-style-type: none"> • Weaker fiscal outlook, for example, insufficient budgetary consolidation, structurally increasing debt-to-GDP trajectory • Growth outlook deteriorated significantly

Figure 2: Rating history¹



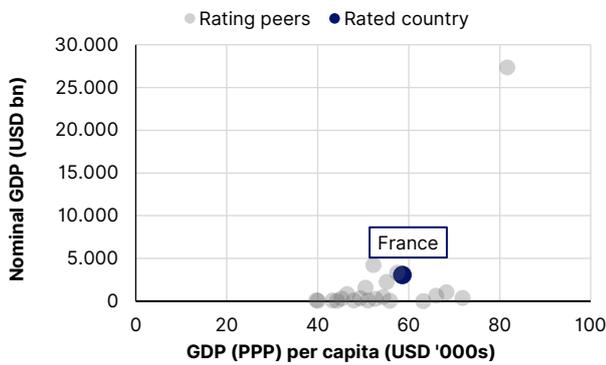
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of France's Domestic Economic Risk

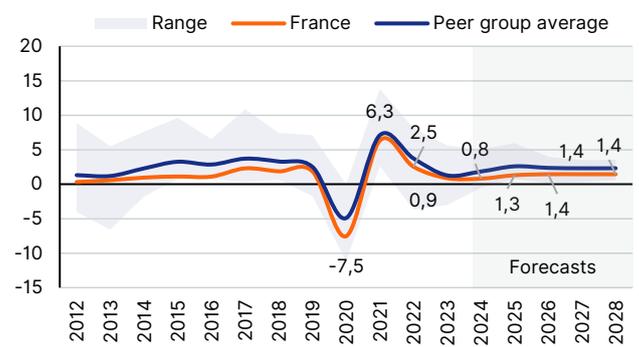
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Moderate growth potential balanced by recent improvements in labour markets and robust foreign investment
	Monetary policy framework	Neutral	0	The ECB is a highly credible and effective central bank with an effective policy framework and transmission over the cycle
	Macroeconomic stability and sustainability	Strong	+1/3	Diversified economy reflecting resilient economic structure; robust wealth levels relative to peers

Figure 3: Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



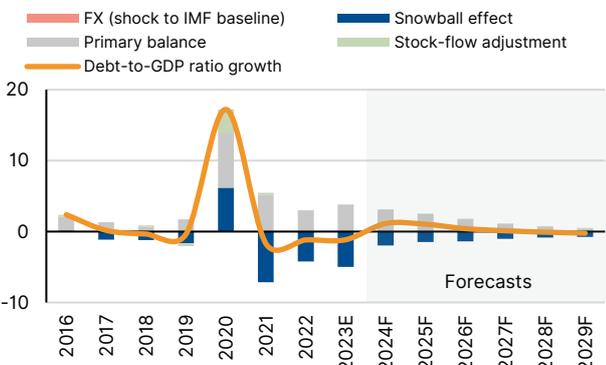
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of France's Public Finance Risk

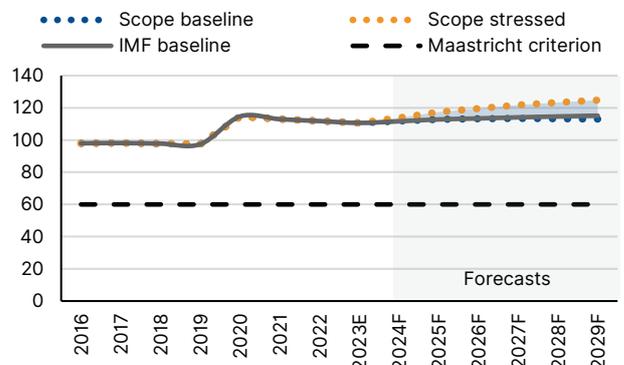
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Fiscal policy framework	Neutral	0	Enhanced fiscal governance framework; gradual reduction of deficits conditional upon the outcome of spending reviews
	Long-term debt trajectory	Neutral	0	High public debt; debt affordability underpinned by still low interest burden and large tax base
	Debt profile and market access	Strong	+1/3	Excellent market access, long maturity, and high investor demand for diversified issuance series

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

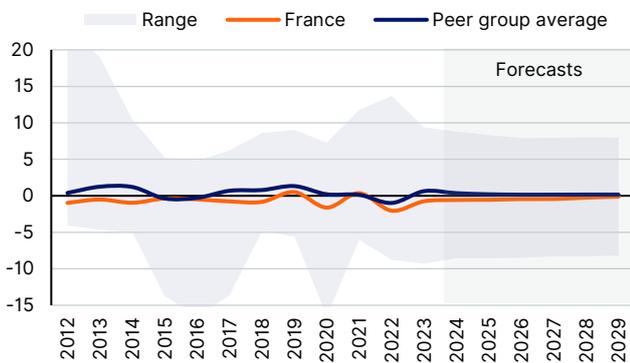
*Sovereign Quantitative Model.

External economic risk

Overview of Scope's assessments of France's External Economic Risk

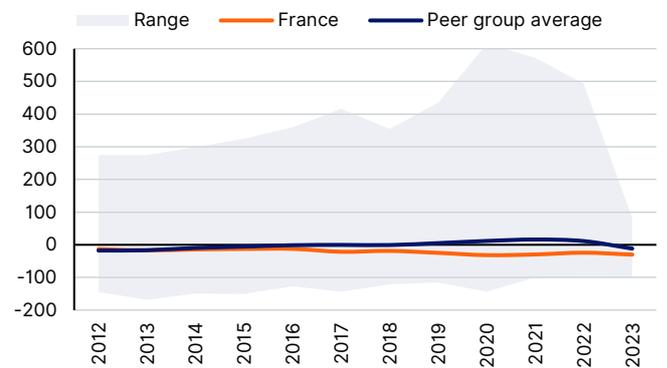
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Current account resilience	Neutral	0	Diversified and high-technology export-oriented industries; moderate current account deficits
	External debt structure	Neutral	0	High external debt, high amount of foreign assets, and limited share of foreign-currency-denominated debt
	Resilience to short-term external shocks	Strong	+1/3	Resilience against external shocks with a mature and large domestic market

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



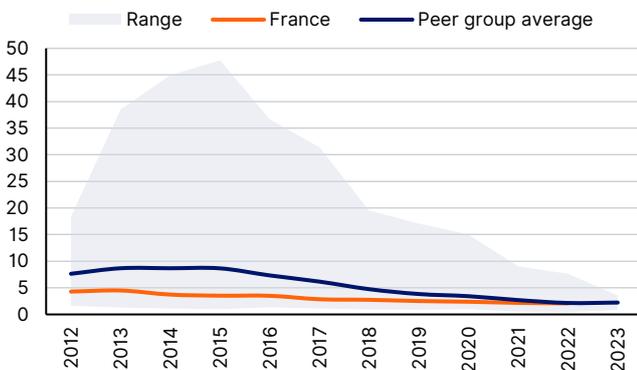
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of France's Financial Stability Risk

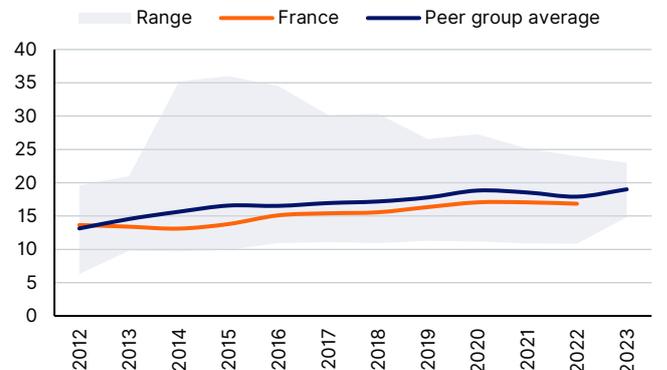
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Banking sector performance	Strong	+1/3	Consolidated banking sector with strong capitalisation and liquidity buffers; good capacity to absorb external shocks
	Financial sector oversight and governance	Neutral	0	Oversight under national supervisory authorities and the ECB as part of the Single Supervisory Mechanism
	Financial imbalances	Neutral	0	Moderate household indebtedness; high corporate gross debt mitigated by high net wealth; resilient, mature financial system

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



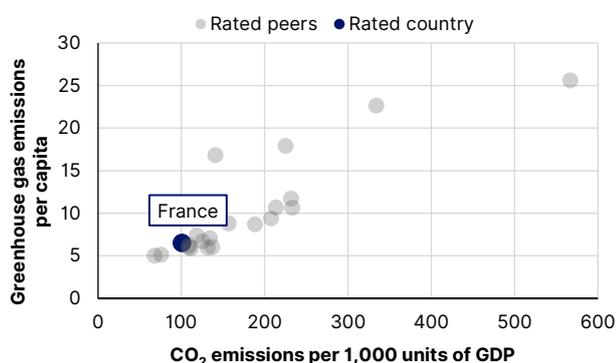
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of France's ESG Risk

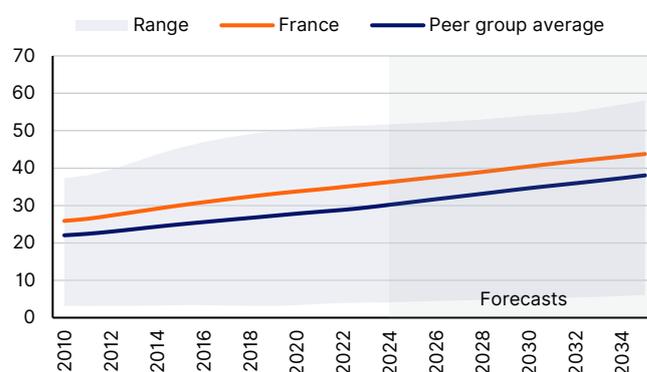
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Environmental factors	Strong	+1/3	Ambitious climate targets and policies including green budgeting; low-carbon electricity mix relative to peers
	Social factors	Neutral	0	Large social safety nets; regular tensions (including large public protests amid the pension reform); elevated cost of ageing
	Governance factors	Neutral	0	High-quality institutions balanced by growing political fragmentation and polarisation

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

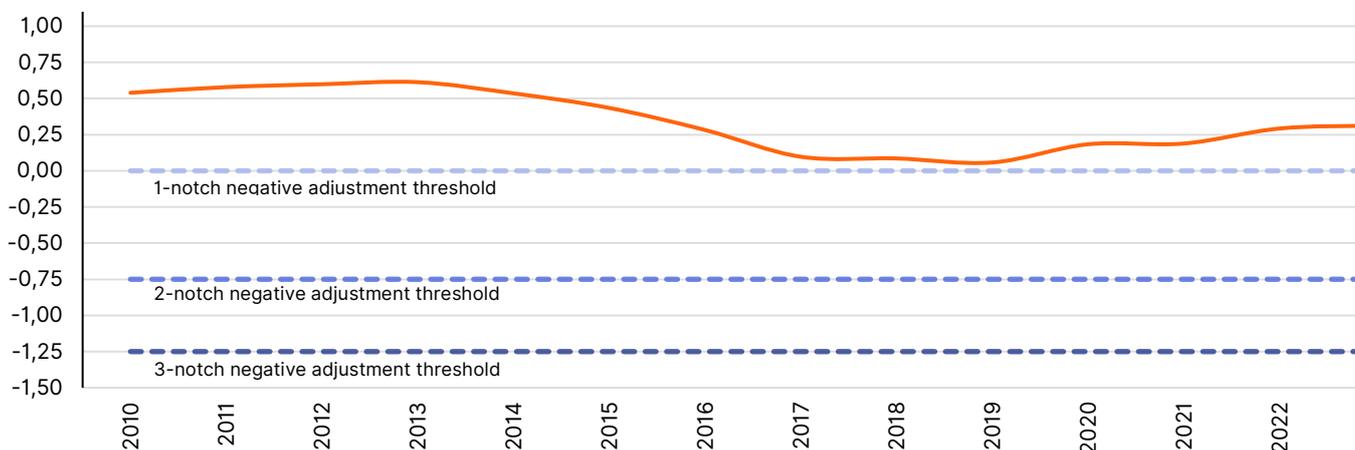
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, France, 3-year moving average



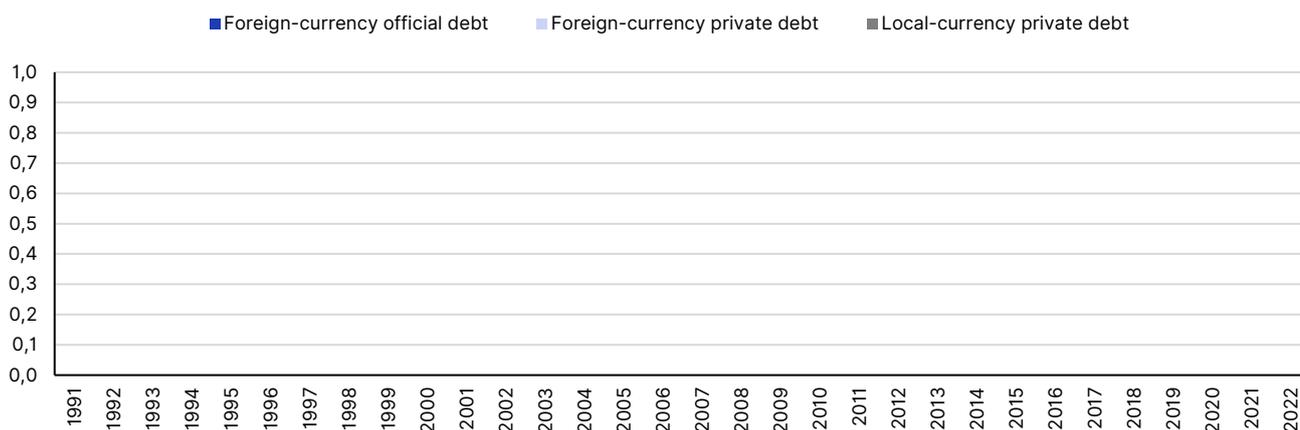
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Belgium
Japan
Spain
United Kingdom
United States

* Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 2 May 2024	24.68

Appendix IV. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope’s quantitative model, in line with Scope’s Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	48.2	49.7	46.4	51.4	56.3	58.6
	Nominal GDP, USD bn	IMF	2,792	2,729	2,645	2,958	2,780	3,032
	Real growth, %	IMF	1.9	1.8	-7.5	6.3	2.5	0.9
	CPI inflation, %	IMF	2.1	1.3	0.5	2.1	5.9	5.7
	Unemployment rate, %	WB	9.0	8.4	8.0	7.9	7.3	7.1
Public Finance	Public debt, % of GDP	IMF	97.8	97.4	114.7	113.0	111.8	110.6
	Net interest payment, % of government revenue	IMF	3.0	2.6	2.2	2.4	3.4	3.2
	Primary balance, % of GDP	IMF	-0.7	-1.7	-7.8	-5.2	-3.0	-3.8
External Economic	Current-account balance, % of GDP	IMF	-0.8	0.5	-1.6	0.4	-2.0	-0.8
	Total reserves, months of imports	WB	1.8	2.1	2.9	2.7	2.3	-
	NIIP, % of GDP	IMF	-18.7	-24.7	-31.7	-29.6	-24.2	-
Financial Stability	NPL ratio, % of total loans	IMF	2.7	2.5	2.4	2.2	2.1	-
	Tier 1 ratio, % of risk-weighted assets	IMF	15.2	15.6	15.7	16.9	16.4	17.4
	Credit to the private sector, % of GDP	WB	104.3	106.7	125.4	121.0	120.0	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	107.8	103.9	100.3	106.5	100.9	-
	Income share of bottom 50%, %	WID	20.4	20.5	20.6	20.3	20.3	-
	Labour-force participation rate, %	WB	72.6	72.4	71.7	73.7	74.3	-
	Old-age dependency ratio, %	UN	32.4	33.1	33.7	34.3	35.0	35.6
	Composite governance indicators*	WB	1.3	1.3	1.2	1.2	1.2	-
	Political stability, index	WB	0.0	0.3	0.3	0.3	0.3	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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