

French Republic

This annex refers to the release of the monitoring note of 29 January 2021.

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		a-
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Strong
	Macro-economic stability and sustainability	Strong
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Strong
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Strong
	Banking sector oversight	Neutral
	Financial imbalances	Strong
20%	Environmental risks	Strong
	Social risks	Neutral
	Institutional and political risks	Strong
QS adjustment (notches)		3
Additional considerations (notches)		0
Final rating		AA STA

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F
GDP per capita (USD '000s)	36,968	38,614	41,408	40,251	-	
Real GDP, % change	1.1	2.3	1.8	1.5	-9.8	
CPI, % change	0.8	1.3	1.9	1.6	-0.5	
General government balance, % of GDP	-3.6	-2.9	-2.3	-3.0	-10.8	
General government debt, % of GDP	98.0	98.3	98.1	98.1	118.7	
Current account balance, % of GDP	-0.5	-0.8	-0.6	-0.7	-1.9	
Gross external debt, % of GDP	211.9	210.0	217.1	229.9	-	

Source: Macrobond, IMF, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification ²	AE
5y USD CDS spread (bps) as of 25 January 2021	15.9

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

France	January 2021	Assessment	Analytical rationale
Peers*	Belgium, Italy, Latvia, Slovakia, Bulgaria, Poland, Russia, China, Japan		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential, reflecting strong investment and labour market-related challenges
	Monetary policy framework	Strong	ECB is a highly credible and effective central bank; appropriate central bank response to the 2020 global crisis; high weight in the GC's monetary policy decisions
	Macro-economic stability & sustainability	Strong	Diversified economy reflects resilient economic structure; shock-absorbing wealth levels relative to peers
Public finance risk	Fiscal policy framework	Neutral	Appropriate budgetary response to 2020 crisis; limited room for additional spending; gradual reduction of deficits until 2025
	Debt sustainability	Neutral	High and increasing public debt levels; sustainability ensured by low interest burden and large tax base
	Debt profile & market access	Strong	Excellent market access, negative yields, high investor demand for diversified bond portfolio
External economic risk	Current account resilience	Strong	Diversified and high-technology industries, moderate current account deficits
	External debt structure	Neutral	Elevated levels of external debt mitigated by low cost of debt, high amount of foreign assets, and limited share of foreign currency-denominated debt
	Resilience to short-term shocks	Neutral	Resilience against shocks with mature and large domestic market
Financial stability risk	Banking sector performance	Strong	Competitive banking sector, strong capitalisation and moderate exposure risks to NFC debt
	Banking sector oversight	Neutral	Oversight under the National Supervisory Authority (ACPR, under Banque de France) and the ECB as part of Banking Union
	Financial imbalances	Strong	Moderate household indebtedness, elevated corporate debt mitigated by high net wealth, resilient and mature financial system
ESG risk	Environmental risks	Strong	Relatively strong resilience to climate risk and ambitious climate targets
	Social risks	Neutral	Large social safety nets, public protests limit ability to implement reforms
	Institutional and political risks	Strong	High-quality institutions and stable political environment

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.