

French Republic

This annex refers to the release of the monitoring note of 28 May 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	Neutral
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Neutral
20%	Environmental risks	Strong
	Social risks	Neutral
	Institutional and political risks	Neutral
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		AA STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s), EOP	38.3	40.1	43.0	41.8	39.9	45.0	47.9
Real GDP, % change	1.1	2.3	1.9	1.5	-8.2	5.0	4.0
Unemployment rate, %	10.0	9.4	9.0	8.5	8.2	9.1	9.2
CPI, % change	0.3	1.2	2.1	1.3	0.5	1.1	1.2
Policy rate, %, EOP	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	
General government balance, % of GDP	-3.6	-2.9	-2.3	-3.0	-9.2	-9.0	-5.5
General government debt, % of GDP, EOP	98.0	98.3	98.0	98.1	115.7	117.9	118.1
Current account balance, % of GDP	-0.5	-0.8	-0.6	-0.7	-2.3	-2.1	-1.8

Yearly averages unless otherwise stated.
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 28 May 2021	25

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	May 2021	Assessment	Analytical rationale
Peers* Domestic economic risk Public finance risk External economic risk Financial stability risk ESG risk	Belgium, Italy, Latvia, Slovakia, Bulgaria, Poland, Russia, China, Japan		
	Growth potential	Neutral	Moderate growth potential, balancing strong investment, competitiveness reforms and labour market 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
	Fiscal policy framework	Neutral	Appropriate budgetary response to 2020 crisis; 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, very favourable yields, high investor demand for diversified bond portfolio
	Current account resilience	Neutral	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
	Banking sector performance	Neutral	Competitive banking sector, strong capitalisation and moderate exposure risks to NFC debt
	Banking sector oversight	Neutral	Oversight under the National Supervisory Authority (ACPR) and the ECB as part of Banking Union
	Financial imbalances	Neutral	Moderate household indebtedness, elevated corporate debt mitigated by high net wealth, rise in corporate defaults expected, resilient and mature financial system
Environmental risks	Strong	Relatively strong resilience to climate risk and ambitious climate targets as part of the Recovery Plan	
Social risks	Neutral	Large social safety nets, public protests limit ability to implement reforms	
Institutional and political risks	Neutral	High-quality institutions and stable political environment but fading momentum on reforms given Covid-19 crisis and presidential elections in 2022	

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