

# French Republic

## Rating report

### Rating rationale

**Budgetary slippage, high fiscal deficits, and a very gradual fiscal consolidation path drive a steady rise in general government debt-to-GDP.** The budget deficit reached 5.5% of GDP in 2023 and is projected to widen further to 6.1% of GDP in 2024, materially exceeding the government's previous target of 5.1%. In 2025, the deficit should narrow to 5.2% of GDP based on the government's consolidation plan of around EUR 60bn (2% of GDP) centred on spending cuts and targeted tax hikes. From 2026 onwards, we expect the deficit to continue to decline gradually to reach 3.8% of GDP in 2029, acknowledging uncertainty surrounding effective spending cuts, limited prospects for a revenue-based consolidation, and moderate GDP growth. We estimate general government debt to rise from an elevated 109.9% of GDP in 2023 to 119.0% in 2029.

**Challenging political outlook raises uncertainty on the implementation of the multi-year budget plan and reform agenda.** The 2024 early legislative elections have weakened the political alignment between the presidency, government and parliament, and further increased parliamentary fragmentation. This increases uncertainty on the implementation of the multi-year budget plan and structural reform agenda. High parliamentary fragmentation and stronger opposition in parliament is likely to curb the government's ability to reduce public spending and raise potential GDP growth, especially as the 2027 presidential election approaches.

**Rating strengths include:** i) leading role in the European economic, financial and security architecture as core euro area and founding EU member; ii) economic resilience underpinned by a large, wealthy and diversified economy, with high GDP per capita and an economic structure driven by high value-added activities; iii) favourable debt profile, excellent market access and strong debt management, with a well-diversified investor base; and iv) a robust banking sector with high capitalisation and favourable liquidity metrics.

**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			0	
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	
<b>Sovereign Quantitative Model</b>		<b>a+</b>				<b>+1</b>	
<b>Additional considerations</b>						<b>0</b>	

\*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-/Stable

Senior unsecured debt

AA-/Stable

Short-term issuer rating/Outlook

S-1+/Stable

### Local currency

Long-term issuer rating/Outlook

AA-/Stable

Senior unsecured debt

AA-/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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### Credit strengths and challenges

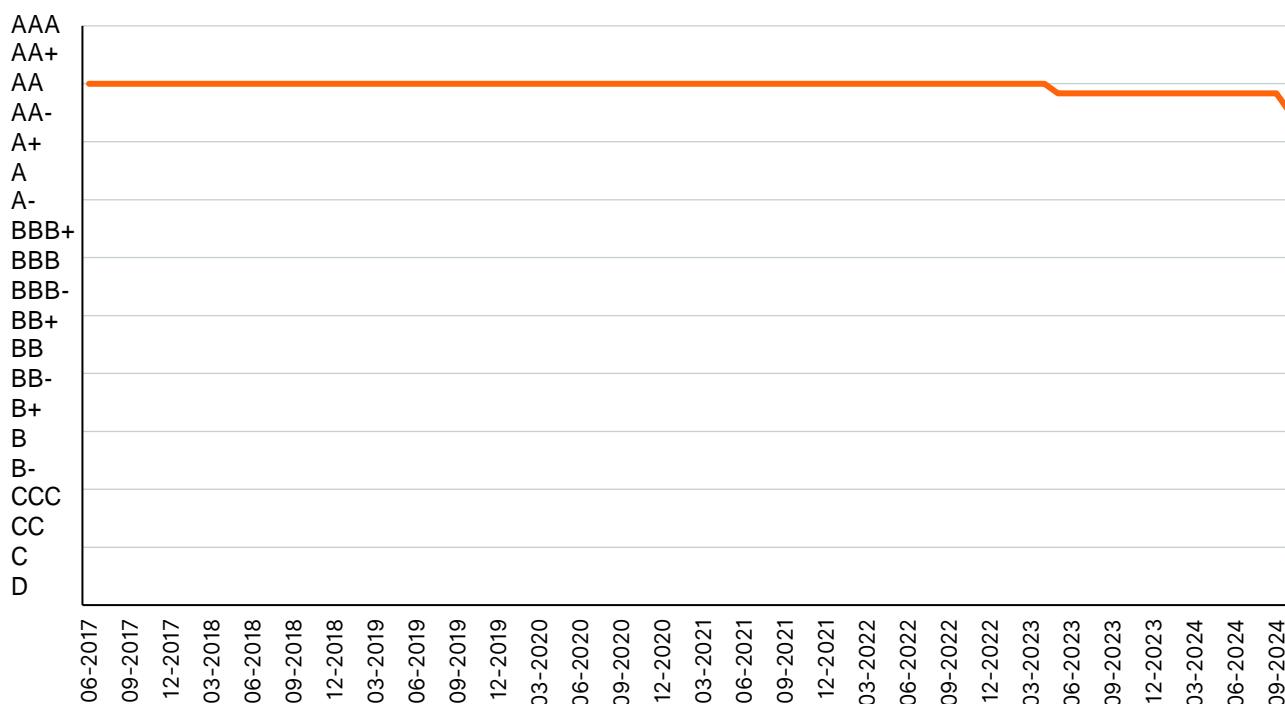
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>• Leading role in Europe, core euro area member</li> <li>• Strong economic resilience, large and diversified economy</li> <li>• Favourable debt profile and excellent market access</li> <li>• Robust banking sector</li> </ul>	<ul style="list-style-type: none"> <li>• Large budget deficits and uncertain fiscal consolidation path</li> <li>• High and rising general government debt</li> <li>• Growing political fragmentation and polarisation</li> <li>• Moderate growth potential</li> </ul>

### Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>• Stronger fiscal outlook, declining government debt-to-GDP</li> <li>• Stronger economic growth outlook and potential driven by reform implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Significantly weaker governance outlook and major policy shifts challenging France’s leading role in Europe</li> <li>• Significantly weaker fiscal outlook, more pronounced rise in government debt-to-GDP</li> </ul>

Figure 2: Rating history<sup>1</sup>



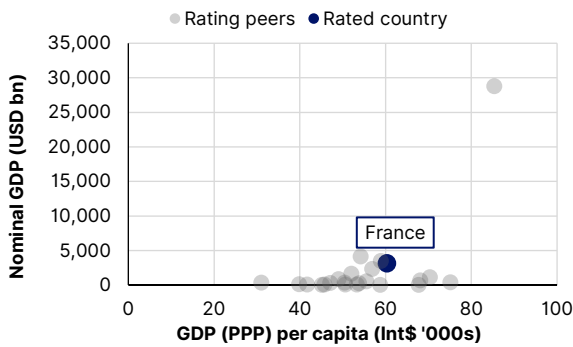
<sup>1</sup>Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

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

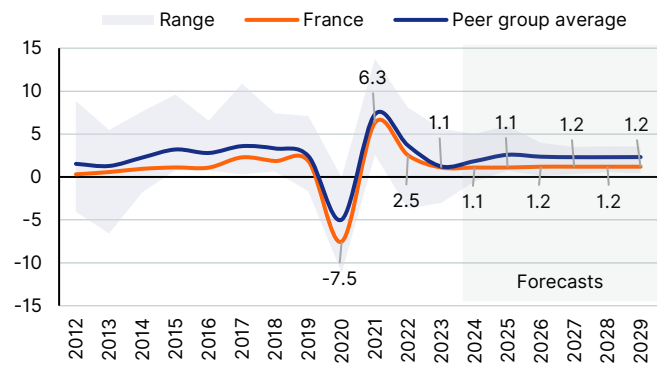
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Moderate growth potential balanced by recent improvements in labour markets and robust foreign investment
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective 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 (2024F)



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

Figure 4: Real GDP growth, %



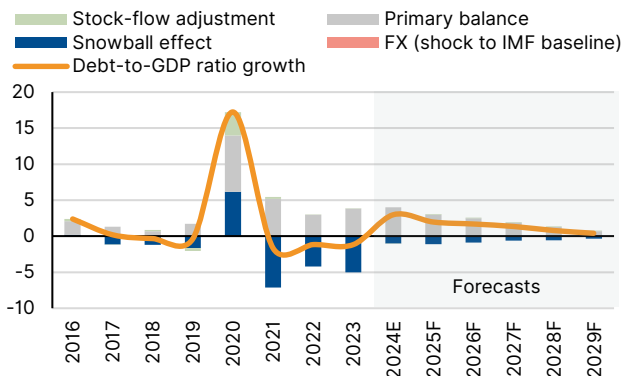
Source: IMF WEO, Scope Ratings forecasts

## Public finance risk

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

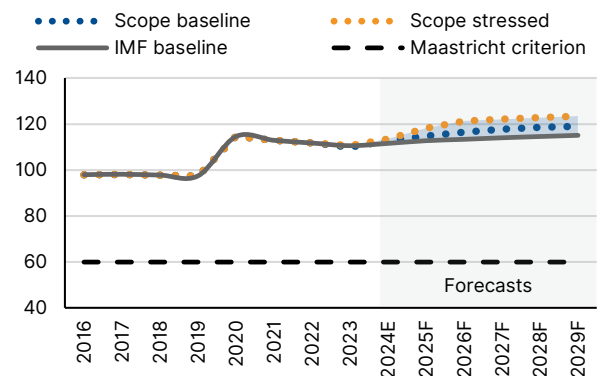
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Fiscal policy framework	Weak	-1/3	High and sustained fiscal deficits, elevated slippage raises uncertainty on the implementation of the multi-year budget plan
	Long-term debt trajectory	Neutral	0	High government debt relative to peers, expected to remain on an upward trajectory given uncertain fiscal outlook
	Debt profile and market access	Strong	+1/3	Favourable debt profile with long average maturity, and excellent market access, underpinned by high investor demand

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

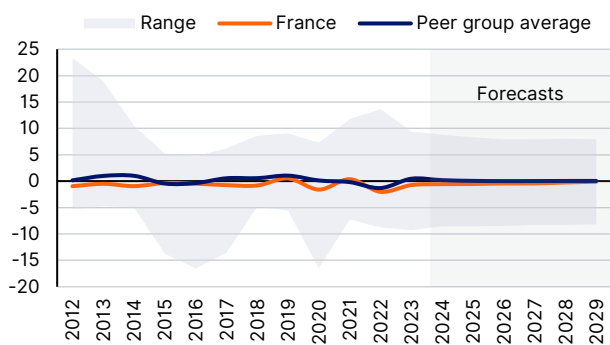
\*Sovereign Quantitative Model.

## External economic risk

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

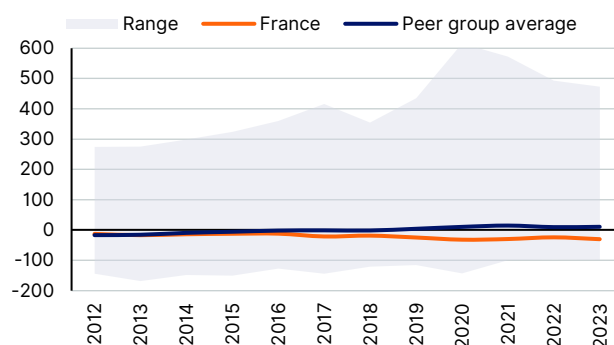
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Current account resilience	Neutral	0	Diversified and high-technology export-oriented industries; moderate current account deficits
	External debt structure	Neutral	0	High external debt, high amount of foreign assets, 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



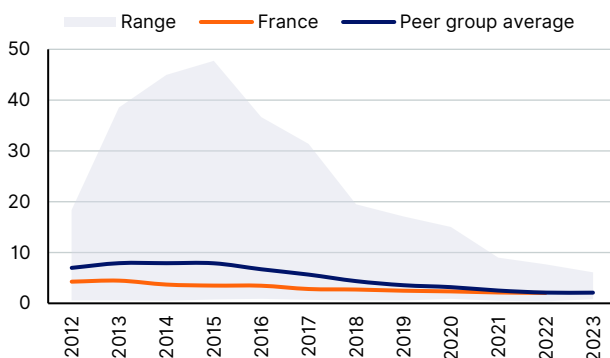
Source: IMF, Scope Ratings

## Financial stability risk

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

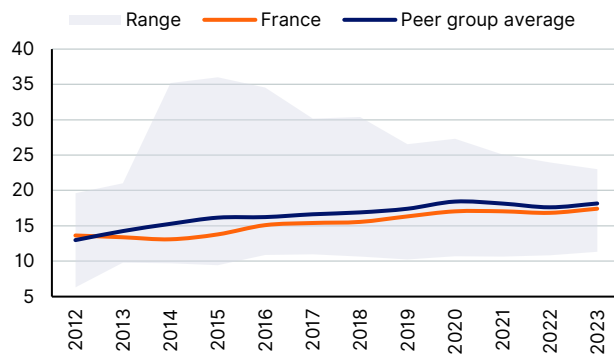
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Banking sector performance	Strong	+1/3	Consolidated banking sector; high capitalisation and favourable liquidity metrics; good capacity to absorb external shocks
	Financial sector oversight and governance	Neutral	0	Oversight 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



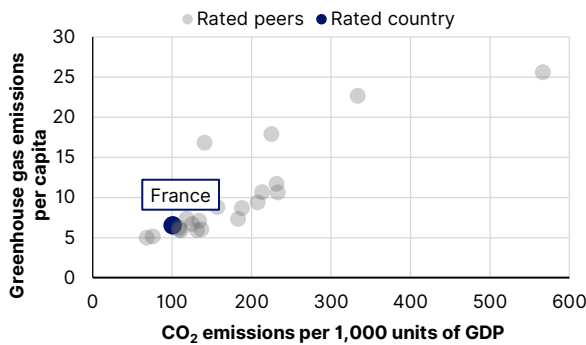
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

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

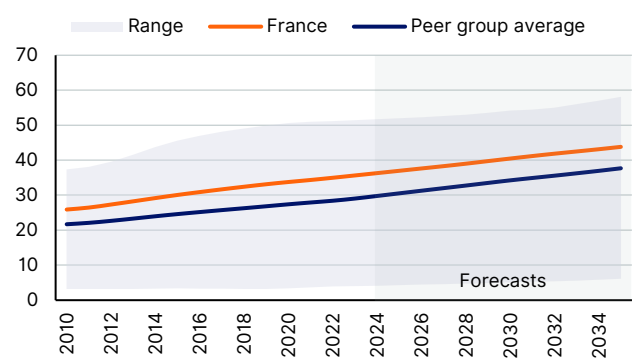
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Environmental factors	Strong	+1/3	Low-carbon electricity mix relative to peers given large nuclear fleet; ambitious climate targets and policies
	Social factors	Neutral	0	Record of structural and labour market reforms; large social safety net vulnerable to age-related costs
	Governance factors	Neutral	0	High-quality institutions; political fragmentation and polarisation raise uncertainty on the execution of the policy agenda

Figure 11: CO<sub>2</sub> emissions per capita/GDP (2022), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

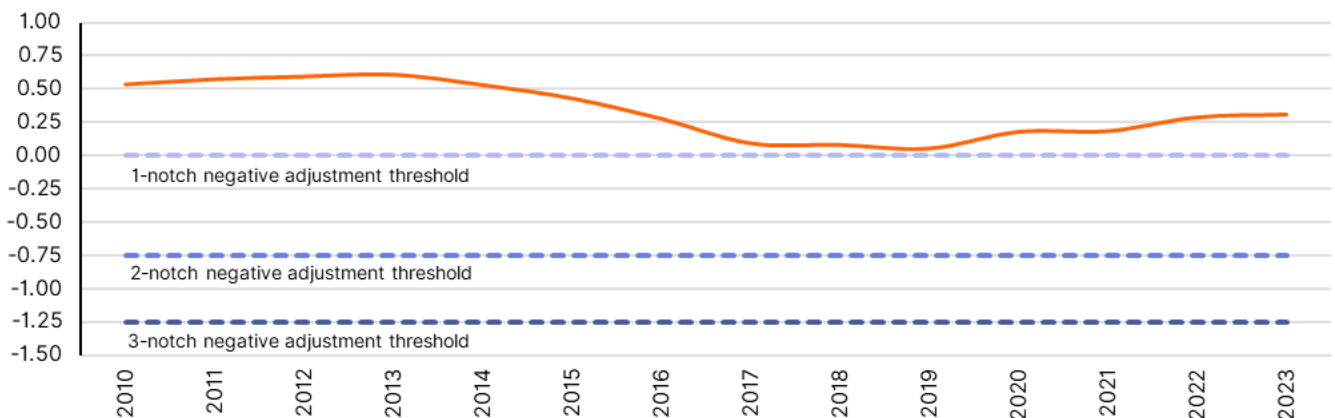
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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



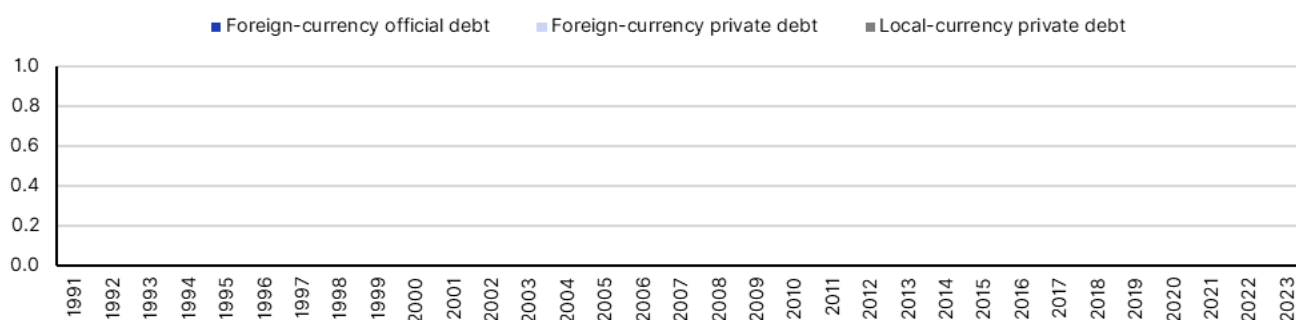
Source: WB, Scope Ratings

### 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
Portugal
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 16 October 2024	32.38

### 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), Int\$ '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	1.1
	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	7.3
Public Finance	Public debt, % of GDP	IMF	97.8	97.4	114.7	113.0	111.8	110.6
	Net interest payments, % 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	2.1
	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	113.5
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> 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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