# French Republic

## Rating report

### Rating rationale

**Rising general government debt:** The general government deficit is expected to remain elevated, averaging around 5.5% of GDP over the next five years, driven by rising interest expenditure. General government debt is projected to increase to 129% of GDP by 2031 and, without significantly stronger fiscal consolidation thereafter, to reach around 144% of GDP by 2036.

**Challenging political outlook:** Elevated political instability, heightened political fragmentation and polarisation, and a challenging socio-economic outlook cloud the prospects for a broad-based political compromise to materially reduce budget deficits and stabilise the debt-to-GDP trajectory.

**Favourable debt profile and excellent market access:** France benefits from a favourable debt profile, excellent market access and strong debt management, which mitigate risks associated with its challenging fiscal trajectory, high government debt burden and rising interest expenditure.

**Large and diversified economy:** France's economic resilience is underpinned by its large, wealthy and diversified economy, with high GDP per capita and an economic structure driven by high value-added activities. The country holds a leading role in the European economic, financial and security architecture as a core euro area and founding EU member.

**Sound and resilient banking sector:** Banks' capacity to absorb external shocks is supported by strong capitalisation, resilient profitability, sound liquidity positions and diversified funding profiles. Funding benefits from a stable customer deposit base and significant use of secured wholesale funding, notably through covered bond issuance.

**Rating challenges include:** i) weak public finances reflected in sustained primary fiscal deficits, a weak track record of fiscal consolidation, and rising general government debt-to-GDP; ii) high political fragmentation and polarisation alongside elevated risk of political instability, limiting the ability to introduce structural reforms; and iii) a moderate growth potential.

**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% | aa | EUR [+1] | France [-0] | 1/3 | A+ |
| Public finance risk | | 25% | bb- | | | -1/3 | |
| External economic risk | | 10% | bb | | | 1/3 | |
| Financial stability risk | | 10% | a- | | | 1/3 | |
| ESG risk | Environmental factors | 3% | aaa | | | 1/3 | |
| | Social factors | 3% | aa- | | | 0 | |
| | Governance factors | 14% | aaa | | | - 1/3 | |
| **Sovereign Quantitative Model*** | | **a+** | | | | **+1** | |
| **Additional considerations**** | | | | | | **-1** | |

*Scope's Sovereign Quantitative Model (SQM) signals a final indicative credit rating of 'a+', which was approved by the Rating Committee. For details, please see Scope's Sovereign Rating Methodology.
**A one-notch negative adjustment is applied to reflect France's fragmented political landscape, its rigid expenditure structure and elevated tax burden, and the sharp rise in government bond yields, underpinning Scope's view that the unprecedented fiscal adjustment required to return to a primary balance and stabilise public debt will remain exceptionally challenging in coming years.

**Foreign currency**

Long-term issuer rating/Outlook
A+/Stable

Senior unsecured debt/Outlook
A+/Stable

Short-term issuer rating
S-1+

**Local currency**

Long-term issuer rating/Outlook
A+/Stable

Senior unsecured debt/Outlook
A+/Stable

Short-term issuer rating
S-1+

**Lead Analyst**

Eiko Sievert
+49 69 6677389-79
e.sievert@scoperatings.com

**Team Leader**

Alvise Lennkh-Yunus
+49 69 6677389 85
a.lennkh@scoperatings.com

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## Credit strengths and challenges

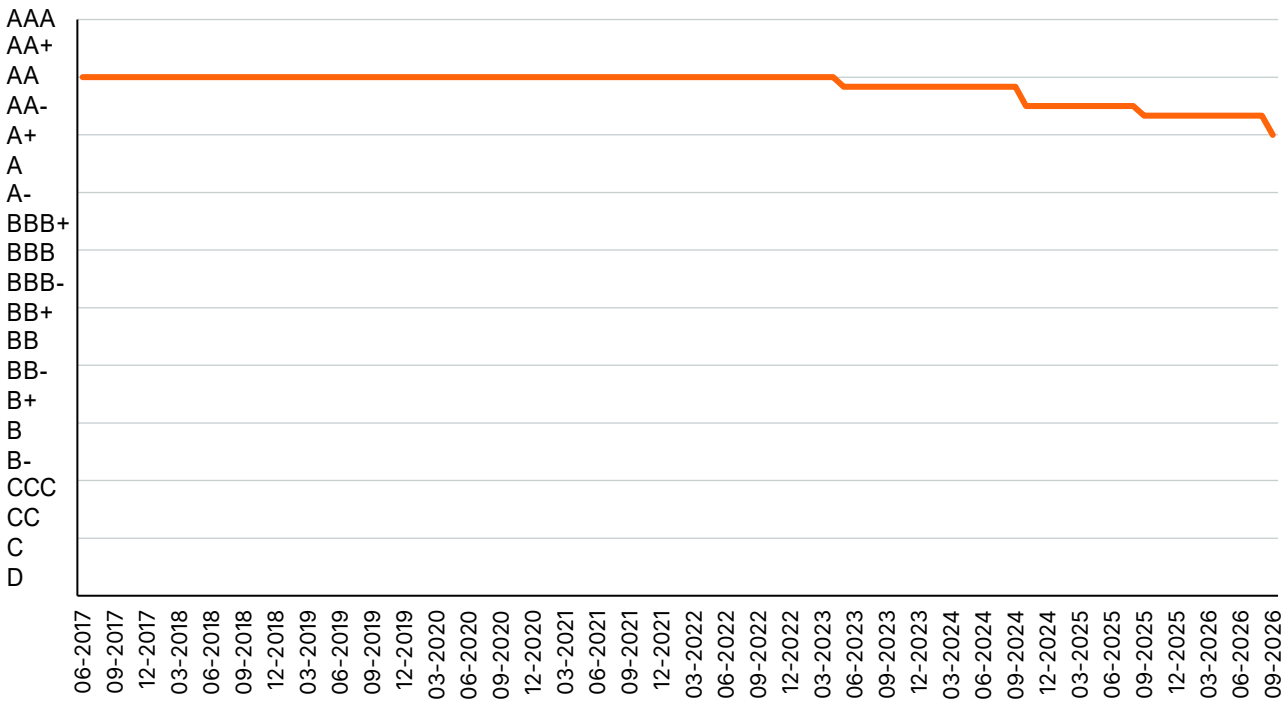
| Credit strengths | Credit challenges |
|---|---|
| • Leading role in Europe, core euro area member | • High budget deficits and uncertain fiscal consolidation path |
| • Strong economic resilience, large and diversified economy | • High and rising general government debt |
| • Favourable debt profile and excellent market access | • Elevated political fragmentation and polarisation |
| • Robust banking sector | • Moderate growth outlook and potential |

## Outlook and rating triggers

The **Stable Outlook** reflects the view that risks for the ratings are balanced over the next 12-18 months.

| Positive rating-change drivers | Negative rating-change drivers |
|---|---|
| • Sustained improvement in the fiscal outlook places the general government debt-to-GDP ratio on a downward trajectory | • Continued weak fiscal outlook, with debt-to-GDP on an upward trajectory over the medium-term resulting in further weakening in debt sustainability |
| • Stronger economic growth outlook supported by sustained structural reform implementation | • Governance outlook weakens significantly or major policy shifts challenge France's leading role in Europe |
| | • Weaker medium-term growth outlook |

**Figure 2: Rating history**




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

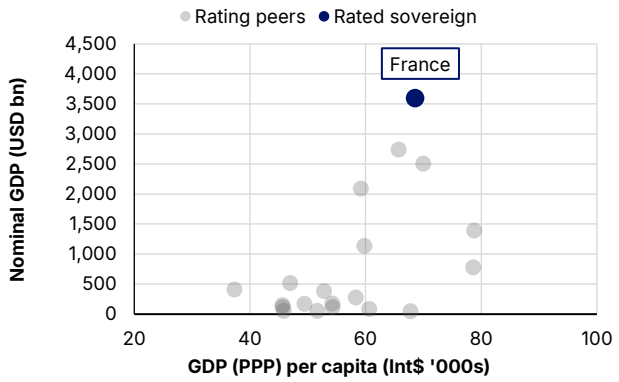
## Rating analysis

### Domestic economic risk

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

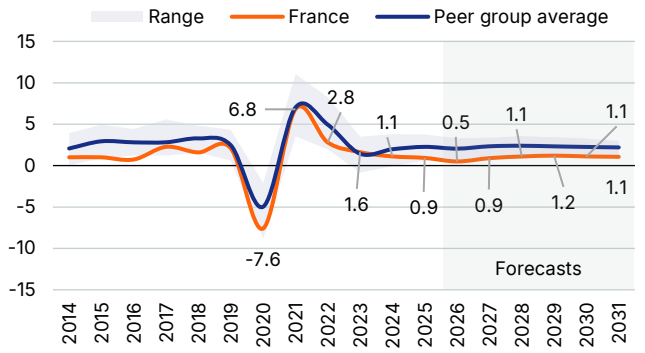
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|---|---|---|---|---|
| aa | Growth potential and outlook | Neutral | 0 | Moderate albeit resilient economic activity; moderate growth outlook and potential |
| | Monetary policy framework | Neutral | 0 | ECB 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 | Economic structure resilient to external shocks and domestic uncertainties; high wealth levels relative to peers; robust private sector balance sheets |

**Figure 3: Nominal GDP and GDP per capita (2025E)**




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

**Figure 4: Real GDP growth**, %



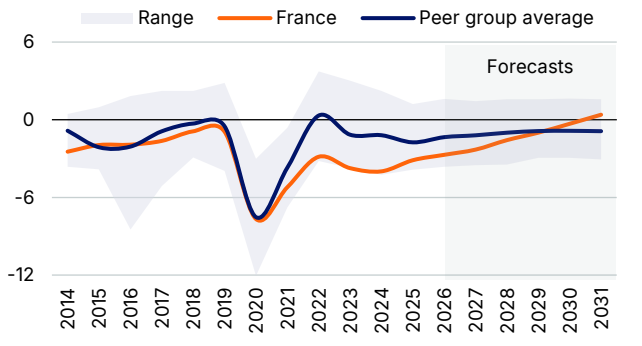

Source: IMF WEO, Scope Ratings forecasts

### Public finance risk

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

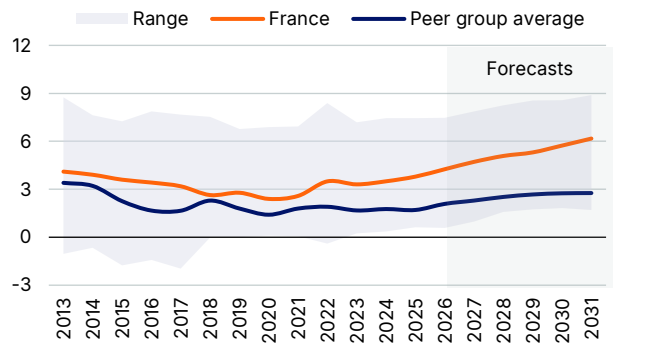
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|---|---|---|---|---|
| bb- | Fiscal policy framework | Weak | - 1/3 | High and sustained budget deficits, slippage in recent years; uncertainty on the sustained execution of fiscal consolidation plan |
| | Long-term debt trajectory | Weak | - 1/3 | High debt, expected to remain on an upward trajectory given an uncertain consolidation path, spending pressure, and moderate growth outlook |
| | Debt profile and investor base | Strong | 1/3 | Favourable debt profile with long average maturity, and excellent market access |

**Figure 5: Primary balance**, % of GDP




Source: IMF WEO forecasts, Scope Ratings

**Figure 6: Net interest payments**, % of government revenue



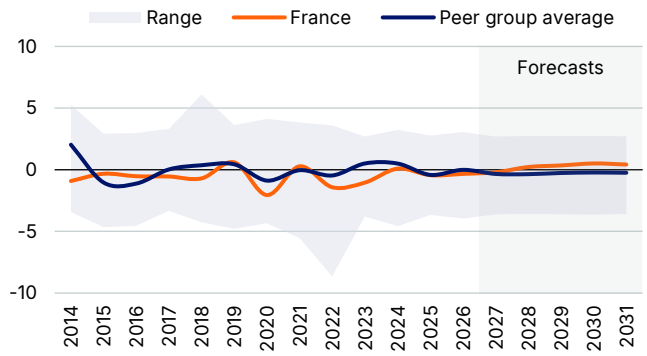

Source: IMF WEO forecasts, Scope Ratings

## External economic risk

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

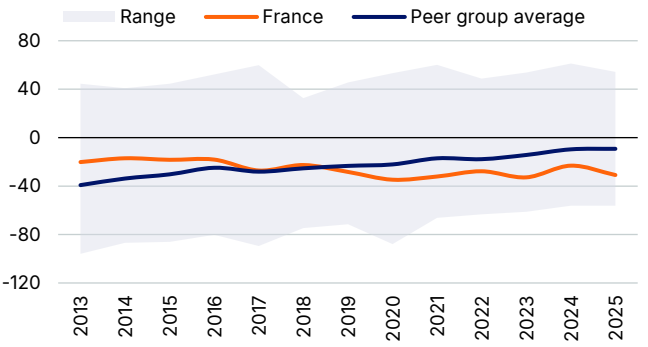
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|---|---|---|---|---|
| bb | Current account resilience | Neutral | 0 | Diversified and high-technology export-oriented industries; moderate current account deficits |
| | External debt structure | Neutral |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

**Figure 7: Current-account balance**, % of GDP




Source: IMF WEO forecasts, Scope Ratings

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



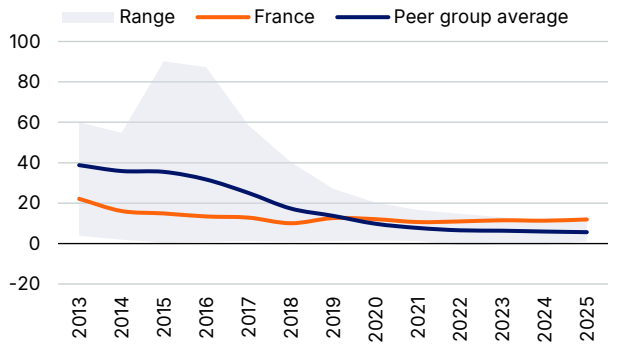

Source: IMF, Scope Ratings

## Financial stability risk

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

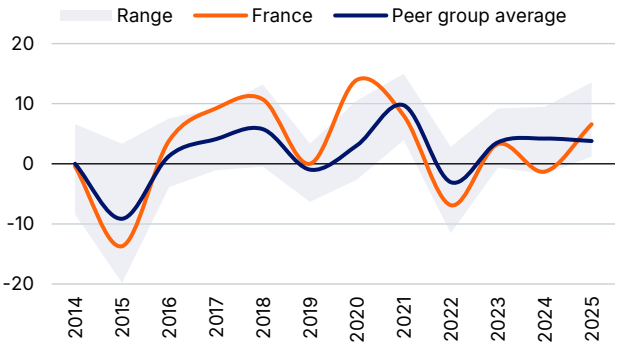
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|---|---|---|---|---|
| a- | Banking sector performance | Strong | 1/3 | Consolidated banking sector; high capitalisation and favourable liquidity metrics; well-diversified funding structures and strong capacity 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 saving rate; high corporate gross debt mitigated by high net wealth; resilient and mature financial system |

**Figure 9: Non-performing loans net of provisions**, % of capital




Source: IMF, Scope Ratings

**Figure 10: Private sector credit growth**, %



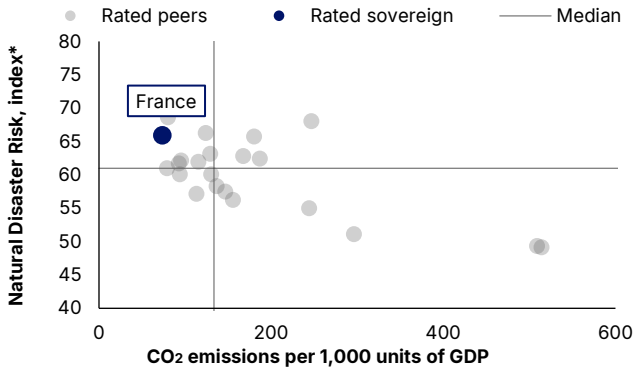

Source: World Bank (WB), Scope Ratings

## 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 |
|---|---|---|---|---|
| aaa | Environmental factors | Strong | 1/3 | Low-carbon electricity mix relative to rating peers given large nuclear fleet; ambitious climate targets and policies |
| | Social factors | Neutral | 0 | Record of labour market reforms; large social safety nets |
| | Governance factors | Weak | - 1/3 | High-quality institutions; governance in line with peers; political instability, fragmentation and polarisation, and upcoming elections raise uncertainty |

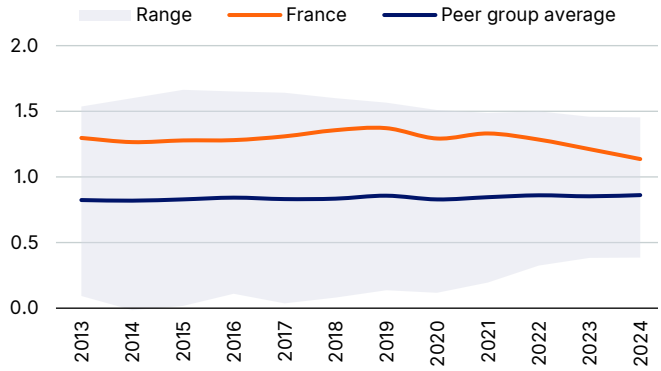
**Figure 11: Natural disaster and transition risks**




Source: European Commission, Notre Dame Global Adaptation Initiative, Scope Ratings

*Higher scores indicate lower vulnerability to physical risks. Median of SQM peers.

**Figure 12: Governance, index score***




Source: World Bank (WB), Scope Ratings

*Mean of the WB estimates for Control of Corruption, Government Effectiveness, Regulatory Quality, and Rule of Law.

## Reserve-currency adjustment

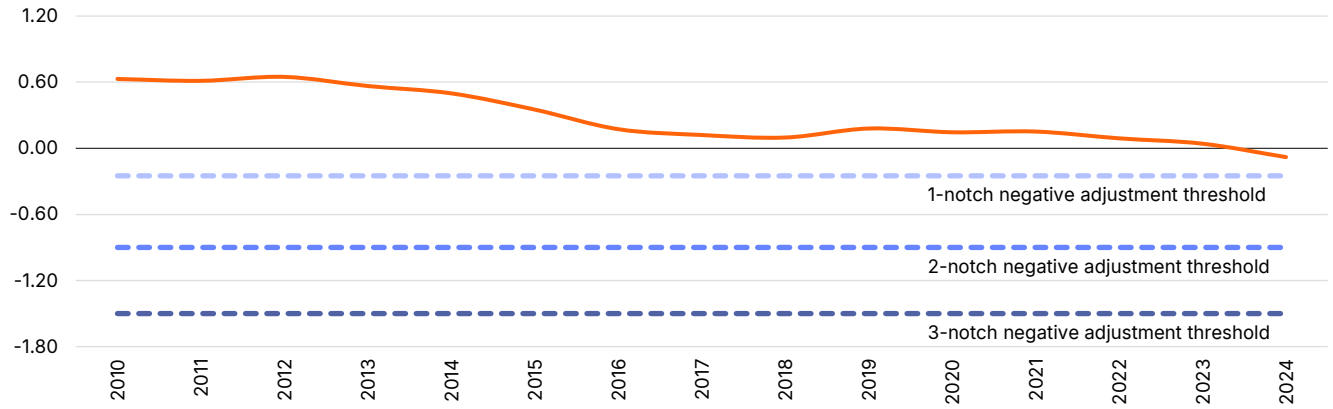
**IMF SDR basket and Scope reserve-currency adjustment**

| 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

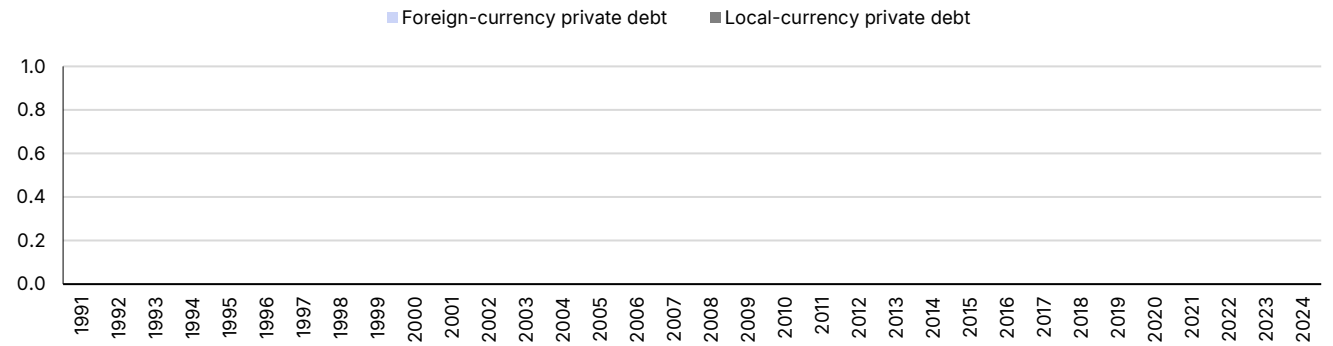
**Figure 13: WB Political Stability & Absence of Violence/Terrorism index**, **France**, three-year moving average




Source: WB, Scope Ratings

## Sovereign default history and applicability of the default cap

**Figure 14: Sovereign default history**, USD bn




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.

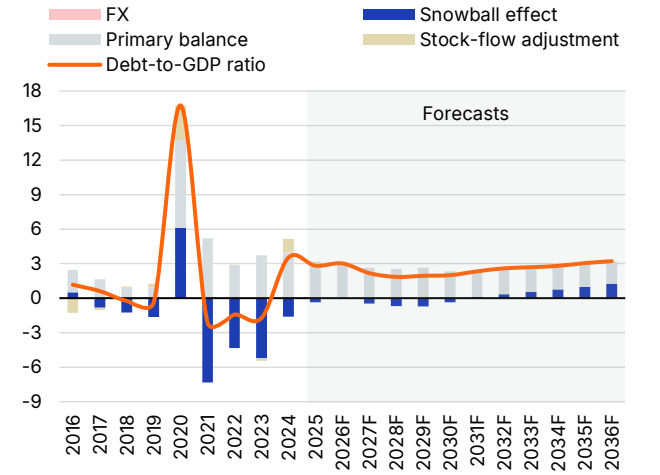
In view of the absence of a recent episode of default, the rating committee did not apply a cap to the indicative SQM rating.

## Additional considerations

A one-notch negative adjustment is applied to reflect France's fragmented political landscape, its rigid expenditure structure and elevated tax burden, and the sharp rise in government bond yields, underpinning Scope's view that the unprecedented fiscal adjustment required to return to a primary balance and stabilise public debt will remain exceptionally challenging in coming years.

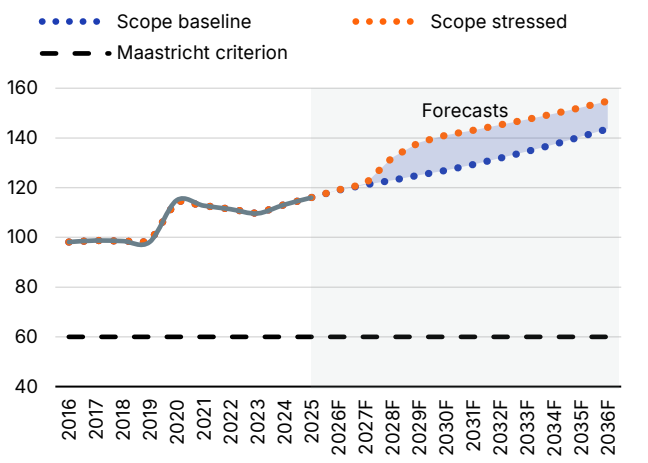
## Appendix 1. Debt sustainability analysis

**Figure 15: Contributions to change in debt ratio**, pps of GDP




Source: IMF WEO, Scope Ratings forecasts

**Figure 16: Debt-to-GDP forecasts**, % of GDP




Source: IMF WEO, Scope Ratings forecasts

**Scope DSA baseline**, % of GDP (unless stated otherwise)

| | 2025 | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | avg. 2032F-2036F |
|---|---|---|---|---|---|---|---|---|
| Real GDP growth (%) | 0.9 | 0.5 | 0.9 | 1.1 | 1.2 | 1.1 | 1.1 | **1.0** |
| Deflator growth (%) | 1.2 | 1.5 | 1.7 | 1.9 | 1.9 | 1.9 | 1.8 | **1.8** |
| Primary Balance | -3.1 | -3.1 | -2.6 | -2.5 | -2.6 | -2.3 | -2.2 | **-2.0** |
| Cost of Ageing | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | **0.0** |
| Net Interest payments | 2.0 | 2.2 | 2.6 | 2.8 | 3.0 | 3.3 | 3.6 | **4.4** |
| Debt-to-GDP | 116.0 | 119.0 | 121.2 | 123.0 | 125.0 | 127.0 | 129.3 | **143.6*** |

* Figure refers to the end-2036 forecast.
Source: Scope Ratings

## Appendix 2. Rating peers

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

| Peer group* |
|---|
| Belgium |
| Italy |
| Portugal |
| Spain |
| United Kingdom |
| United States |

*Selected publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.
The shaded range in the charts above represents the distribution of sovereign-rating peers between the 10th and 90th percentiles of the full sample.

## Appendix 3. Economic development and default indicators

| | |
|---|---|
| IMF Development Classification | Advanced economy |
| 5-year USD CDS spread (bps) as of 18 September 2026 | 39.22 |

## Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (21 out of 26 – with the governance indicator reflecting a composite of four indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources used ensure comparability across global sovereign peers and may therefore differ from national or other international statistical series; as a result they may not immediately reflect the latest national updates.

| Pillar | Core variable | Source | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E |
|---|---|---|---|---|---|---|---|---|
| Domestic Economic | **GDP per capita (PPP)**, Int$ '000s | IMF | 54.0 | 59.2 | 62.0 | 64.1 | 66.3 | 68.6 |
| | **Nominal GDP**, USD bn | IMF | 2,968 | 2,797 | 3,061 | 3,161 | 3,369 | 3,596 |
| | **Real growth**, % | IMF | 6.8 | 2.8 | 1.6 | 1.1 | 0.9 | 0.9 |
| | **CPI inflation**, % | IMF | 2.1 | 5.9 | 5.7 | 2.3 | 0.9 | 1.8 |
| | **Working-age population growth**, % | UN | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Finance | **General government debt**, % of GDP | IMF | 112.8 | 111.4 | 109.6 | 113.2 | 116.0 | 118.4 |
| | **Net interest payments**, % of government revenue | IMF | 2.6 | 3.5 | 3.3 | 3.5 | 3.8 | 4.3 |
| | **Primary balance**, % of GDP | IMF | -5.2 | -2.9 | -3.7 | -4.0 | -3.1 | -2.7 |
| External Economic | **Current-account balance**, % of GDP | IMF | 0.3 | -1.4 | -1.0 | 0.1 | -0.4 | -0.3 |
| | **NIIP**, % of GDP | IMF | -32.1 | -27.8 | -32.8 | -23.1 | -30.9 | - |
| Financial stability | **Non-performing loans net of provisions**, % of capital | IMF | 10.6 | 11.0 | 11.5 | 11.3 | 11.9 | - |
| | **Private sector credit growth**, (7y av. YoY change, %) | WB | 8.0 | -6.9 | 3.3 | -1.3 | 6.6 | - |
| ESG | **$CO_2$ per EUR 1,000 of GDP**, $kgCO_2e$ | EC | 88.9 | 84.2 | 77.0 | 73.6 | - | - |
| | **Income share of bottom 50%**, % | WID | 20.3 | 20.3 | 20.3 | 20.3 | - | - |
| | **Labour-force participation rate**, % | WB | 73.0 | 73.6 | 74.0 | 74.1 | 74.0 | - |
| | **Unemployment rate**, % | WB | 7.9 | 7.3 | 7.3 | 7.4 | 7.5 | - |
| | **Composite governance indicators***, index | WB | 1.3 | 1.3 | 1.2 | 1.1 | - | - |
| | **Political stability**, index | WB | 0.2 | 0.1 | 0.0 | -0.1 | - | - |

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

### Lead Analyst

Eiko Sievert
+49 69 6677389-79
e.sievert@scoperatings.com

### Team Leader

Alvise Lennkh-Yunus
+49 69 6677389 85
a.lennkh@scoperatings.com


### Applied methodology

Sovereign Rating Methodology, March 2026


### Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

### Scope Ratings UK Limited

1 King William Street
London, EC4N 7AF
Phone: +44 20 3059 1051
info@scoperatings.com

Bloomberg: RESP SCOP
Scope contacts
scoperatings.com


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