
Republic of France's rating reaffirmed at 'CareEdge A+ /Stable'

Issuer rating (Long-Term Foreign Currency)

CareEdge A+ /Stable (Unsolicited)

Rating action

CareEdge Global has reaffirmed its Long-Term Foreign Currency issuer rating of **Republic of France** at '**CareEdge A+ /Stable**' (Unsolicited).

Rationale

The rating reaffirmation highlights France's structural advantages such as a large and diversified economy, high GDP per capita, resilient services exports, deep access to capital markets, and its status as a core European Union (EU) member. However, these are tempered by low-growth outlook, high public debt, and the consequent weak prospects for fiscal consolidation.

Further, political fragmentation has made reform implementation rather challenging. The adoption of the 2026 budget, coupled with the postponement of essential pension reforms to 2028, points to ongoing implementation challenges. While there are institutional checks and balances, lack of visibility on reform progress constrains our credit outlook.

Public debt is projected to rise to ~119% of GDP by 2027, driven by structurally high spending, rising interest costs, and continued pressures from healthcare, social welfare, and defence.

In 2025, economic growth modestly outperformed earlier IMF expectations at 0.9%, supported by strong exports, a resilient labour market, and real wage growth. France's military capabilities and advancement in artificial intelligence will likely support near-term growth prospects. However, medium-term prospects are constrained by structural factors such as weak productivity gains and an ageing population.

Outlook: Stable

The stable outlook is underpinned by moderate growth prospects, with the economy expected to expand at around ~1.2-1.3% over the medium term, supported by resilient domestic demand. Diversified economic base is expected to provide stability to the credit outlook. Fiscal risks remain a key monitorable given elevated debt and deficit levels; however, we expect credit metrics to evolve broadly in line with our assumptions

Upside scenario

We could revise the outlook to positive if the debt-to-GDP trajectory improves instead of the current expectation of weakening, supported by meaningful structural reforms. A sustained improvement in economic growth would also support a positive outlook.

Downside scenario

We could revise the outlook to negative if economic growth continues to underperform and government debt rises more sharply than anticipated, translating to higher debt servicing costs, further deteriorating the fiscal metrics.

Key rating drivers

Economic structure & resilience

France is the second-largest economy in the Eurozone, with nominal GDP of around USD 3.3 trillion in 2025 and high GDP per capita. In 2025, real GDP growth strengthened modestly to 0.9%, exceeding earlier projections, supported by net exports rather than domestic demand. Exports performed better than anticipated, driven by robust services' exports (tourism, transport, financial services), alongside strength in aerospace, pharmaceuticals, and electricity exports.

France's external competitiveness continues to be anchored by high value-added manufacturing and services, partially offsetting weak investment sentiment amid elevated interest rates and policy uncertainty.

The labour market remains a key stabilising factor. Employment levels are high, unemployment is near cyclical lows, and nominal wage growth of ~2% continues to exceed inflation, supporting real household incomes and consumption. Strong labour market conditions have helped preserve social stability and mitigate downside risks to growth.

France is also structurally insulated from the recent West Asia-related energy shock. The country's reliance on nuclear power, which supplies over 60% of electricity generation, significantly reduces exposure to oil and gas price volatility. This energy structure has contained inflation pressures, supported industrial competitiveness and enhanced macroeconomic resilience relative to many European peers.

Medium-term growth prospects are structurally moderate, reflecting an aging population (over 22% are aged 65+), weak productivity gains, and recent tightening of immigration and welfare access. Measures such as requiring up to five years of legal residence for non-EU citizens to access family allowances and social benefits could constrain labour force growth over time.

Fiscal strength

Fiscal performance is France's primary credit weakness. While the 2026 budget was adopted, the government achieved it by postponement of implementation of key pension reforms, thereby, weakening the credibility of the medium-term fiscal adjustment strategy.

General government deficit is expected to remain elevated over the medium term, well above the pre-pandemic norms. With the tax-to-GDP ratio already high, the scope for additional

revenue measures is limited, placing the burden of adjustment on expenditure restraint—an area where political consensus is weak. As a result, public debt is expected to continue to rise, driven by persistent primary deficits, increasing interest costs, healthcare and social spending pressures.

Debt sustainability risks are mitigated by strong market access, long average debt maturity, and a high share of fixed-rate debt (88% of the total), which helps limit refinancing risks despite wider sovereign spreads over Germany.

External position & linkages

France benefits from the Euro's reserve currency status, strong access to external financing, and a diversified export base. The current account position has stabilised close to balance, reflecting a persistent services surplus, which offsets the structural goods trade deficit.

Although France's net international investment position (NIIP) is moderately negative, estimated at around -28% of GDP as of Q3 2025, its stable trajectory does not raise immediate concerns. France's large gross external asset base continues to generate stable returns, with economic value exceeding its accounting value.

High gross external debt, which reflects the banking sector's sizeable international exposure, remains a limitation in the external assessment.

Monetary & financial stability

Inflation declined sharply in 2025, with headline CPI averaging 1.1%, down from 2.0% in 2024, supported by easing energy prices and subdued demand pressures. The disinflation trend helped restore real household incomes and kept inflation expectations close to the European Central Bank's target.

In 2026, inflation is expected to edge higher to ~1.3%, reflecting renewed West Asia conflict-caused energy pressures. Nonetheless, France is better positioned than many peers to absorb the energy-driven price shocks due to its limited dependence on fossil fuel imports and structurally high nuclear power generation.

Despite higher funding costs, the French banking sector remains resilient, supported by strong capital buffers, conservative balance sheet structures, as well as a large and stable deposit base. Earnings resilience is reinforced by diversified revenue streams, particularly wealth management, insurance and asset management activities, which help offset pressure on net interest margins. Asset quality is sound and systemic financial risks are contained.

Institutions & quality of governance

France benefits from strong institutional capacity and governance standards, though political fragmentation has weakened policy effectiveness. The National Assembly remains divided, complicating the passage of reform-oriented legislation and reducing policy predictability.

Although we do not anticipate an immediate change in government, President Macron's political capital has eroded. Repeated slippages from fiscal deficit targets point to a limited track record on consolidation, increasing uncertainty around the medium-term reform agenda as the 2027 presidential election approaches.

France – Select indicators									
	Unit	2020	2021	2022	2023	2024	2025	2026 F	2027F
Nominal GDP	USD Billion	2,646	2,968	2,797	3,061	3,161	3,362	3,559	3,661
GDP Per Capita (Constant-PPP)	USD	50,772	54,017	55,234	55,975	56,435	56,655	57,011	57,526
Real GDP Growth	%	-7.6	6.8	2.8	1.6	1.1	0.8	1.0	1.2
GFCF/GDP	%	22.4	23.5	23.5	22.8	22.1	22.0	-	-
Gross Domestic Savings/GDP	%	21.1	22.2	21.4	21.2	21.2	21.2	-	-
Exports (G&S)/GDP	%	28.6	31.3	36.6	34.5	33.9	33.4	-	-
Working-Age (15-64) Population (% Share in Total)	%	61.6	61.4	61.3	61.1	61	60.8	60.6	60.4
Old-Age (65+) Population (% Share in Total)	%	20.7	21	21.3	21.7	22	22.3	22.7	22.9
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-8.9	-6.6	-4.7	-5.4	-5.8	-5.4	-5.8	-6.2
Revenue/GDP	%	52.8	52.9	53.7	51.5	51.4	51.9	51.6	51.4
Expenditure/GDP	%	61.7	59.5	58.4	56.9	57.2	57.3	57.4	57.6
GG Gross Debt/GDP	%	114.9	112.8	111.4	109.6	113.1	116.5	119.6	122.1
GG External Debt (by Creditor)/GG Gross Debt	%	50.8	47.7	41.3	44.7	45.1	50.8	-	-
Interest/Revenue	%	2.4	2.6	3.6	3.6	4.02	4.32	-	-
External Indicators									
Current Account Balance/GDP	%	-2.1	0.3	-1.4	-1.0	0.1	-0.1	-0.2	-0.3
FDI, Net Inflows/GDP	%	0.7	3.3	4.0	0.6	1.6	-	-	-
Outstanding FII Liabilities/GDP	%	178.1	158.4	144.2	155.5	148.90	-	-	-
NIIP/GDP	%	-34.7	-32.1	-27.8	-32.5	-22.0	-	-	-
Foreign Exchange Reserves	USD billion	188.9	224.5	244.5	243	240.9	419	-	-
Import Cover	Months	3.4	3.0	2.6	2.6	3.2	-	-	-
External Debt/GDP	%	279.5	245.3	248.8	252.1	240.1	-	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.5	2.1	5.9	5.7	2.3	0.9	1.5	1.9
Exchange Rate (Average)	LC per USD	0.89	0.88	0.85	0.95	0.93	0.86	-	-
Non-Performing Loans/Total Gross Loans	%	2.4	2.2	2.1	2.0	2.1	-	-	-
Private debt, loans and debt securities/GDP	%	239.6	227.5	225.6	217.4	215.5	-	-	-

Note: F - forecast; PPP – purchasing power parity; GFCF – gross fixed capital formation; exports (G&S) – exports of goods and services; GG – general government; FDI – foreign direct investment; FII – foreign institutional investment; NIIP – net international investment position. Data refers to fiscal/calendar year and actual/estimate as reported by the source. Where general government data is unavailable, central government data is used. The latest available data for 2024/2025

Solicitation status

The rating is unsolicited, but with limited interaction with relevant authorities of the government.

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A+/Stable	March 27, 2026
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A+/Stable	September 29, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AA-/Negative	December 5, 2024
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AA-	October 03, 2024

Criteria applied

[CareEdge SovereignRating Methodology](#)

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