

CareEdge Global downgrades the rating of Republic of France to 'CareEdge A+', Outlook Revised to Stable

Issuer rating

CareEdge A+ /Stable (Unsolicited)

Rating Action

CareEdge Global downgrades the Long-Term Foreign Currency rating of Republic of France (France) to '**CareEdge A+ (Unsolicited)**' from '**CareEdge AA- (Unsolicited)**' while revising the outlook to 'Stable' from 'Negative'.

Rationale

The downgrade reflects our view that France's fiscal consolidation prospects have weakened amid a fragmented political landscape, reflected by elevated deficits and rising debt levels. As a result of the government's limited ability to implement critical expenditure cuts, we expect the country to be unable to meet the fiscal path outlined in its medium-term framework, with the annual general government deficit projected to remain elevated at around 6% of GDP through 2029, significantly above the target of 2.8% by 2029. At this level, this would be the highest deficit in the Euro Area. With the tax-to-GDP ratio already at 30% in 2024, there is little room to raise significant additional revenues.

Public debt is forecast to rise to 126% of GDP by 2029, marking a 13-percentage point increase from current levels. This rise is driven by France's weak fiscal track record hindering the country's ability to meet its budget deficit target, escalating interest costs, increased healthcare and social spending, and expanding military expenditures.

Economic growth also remains subdued, weighed down by weak consumer demand and tepid business investment. As the 2027 presidential elections approach, the risk of a shift toward populist rather than reform-oriented policies adds further uncertainties to the fiscal outlook.

France's credit profile continues to be supported by its large and diversified economy, high GDP per capita, strong services exports, resilient private sector, deep capital markets access, status of a core EU member and a well-capitalized financial system.

Upside Scenario

We could revise the outlook to positive if the debt-to-GDP trajectory improves better than expected, supported by meaningful structural reforms. A sustained improvement in economic growth could 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 and further deterioration in fiscal metrics.

Key Rating Drivers

Economic Structure & Resilience

France is the second-largest economy in the Eurozone with an estimated GDP of USD 3.16 trillion in 2024. It maintains a high GDP per capita of USD 56,039 (constant PPP, 2024). Its economic strength is anchored in a robust services sector, which contributes approximately 79% of GDP, and high value-added exports such as aircraft, machinery, and vehicles. France also benefits from relatively higher levels of gross fixed capital formation at 22% of GDP -- higher than its key European peers -- Germany (21%), the Netherlands (20%) and the United Kingdom (17%).

However, these strengths are partly offset by slowing economic momentum. GDP growth is projected to decelerate to 0.6% in 2025 from 1.1% in 2024, weighed down by policy uncertainty, trade-related headwinds, and elevated borrowing costs. Medium-term growth prospects remain subdued. Demographic pressures are also mounting, with 22% of the population aged 65 and above. Recent immigration reforms—such as the January 2024 law tightening access to welfare, imposing mandatory language requirements, and increasing deportation rates—may further constrain the working-age population.

France's strong services and pharmaceutical exports provide some insulation against global trade tensions. However, the outlook for sectors with significant exposure to the U.S.—such as wine, automotive, and luxury goods—remains challenging.

Fiscal Strength

France's fiscal outlook is clouded by a lack of political consensus on key reforms, particularly around spending cuts and pension changes. While the government is expected to meet its 2025 fiscal deficit target of 5.4%, it is likely to diverge from its medium-term fiscal plan (MFTP). The 2026 budget is expected to include more modest spending cuts than previously proposed by former Prime Minister Bayrou. As a result, the fiscal deficit is projected to remain elevated at around 6% of GDP through 2029—well above the MFTP target of 2.8%—making it the highest in the EU.

This implies a sustained high level of general government debt level, projected to reach 126% of GDP by 2029, compared to the MFTP target of 117%. With municipal elections in 2026 and presidential elections in 2027, the political appetite for large-scale spending cuts appears limited.

Unlike fiscally conservative peers such as Germany and the Netherlands, France has a weaker fiscal track record, reflected in a 5-year average deficit of 3.1% of GDP (2015–2019). Overall

government expenditure remains high at 57% of GDP in 2024, including net social benefits of approximately 10–11% of GDP.

The interest burden is expected to rise to 3.2% of GDP by 2029, up from 2.2% currently, driven by higher borrowing costs. Spreads over German bunds have remained elevated at around 80 basis points since the 2024 snap elections—up from 50 basis points in 2023 and approaching levels seen for Italy.

Despite these challenges, France benefits from strong market access, a long average debt maturity, and a high share of fixed-rate debt (88% of total), which helps mitigate refinancing risks.

External Position & Linkages

France benefits from the euro's reserve currency status and its easy access to external funding. The current account turned positive in 2024, supported by resilient services exports. The net international investment position (NIIP) stood at -19.5% of GDP in 2024. While negative, 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.

However, external vulnerabilities persist. France's external debt remains high at 240% of GDP in 2024, with banks accounting for 52%—reflecting the financial sector's extensive global footprint.

Monetary & Financial Stability

Inflation moderated to 2.3% in 2024 from 5.7% in 2023, driven by easing energy prices and weak consumer demand. The banking sector remains resilient despite higher funding costs, supported by diversified funding sources and strong customer deposit bases. French banks are well-capitalized and maintain robust capital buffers, which contribute to overall financial stability.

Institutions & Quality of Governance

France has historically maintained a strong institutional framework and high governance standards – ranking well across parameters. However, rising political fragmentation has weakened government's effectiveness and ability to implement critical reforms.

The national assembly is currently split into three major blocs resulting in unstable coalitions and frequent negotiations. Prime Minister Sébastien Lecornu now faces the challenge of forming a government and presenting the 2026 budget in a fragmented parliament where he lacks a clear majority.

France– Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	2,723	2,646	2,968	2,797	3,057	3,162	3,211	3,318
GDP Per Capita (Constant-PPP)	USD	55,077	50,756	54,017	55,139	55,602	56,039	56,240	56,652
Real GDP Growth	%	2.1	-7.6	6.8	2.6	1.1	1.1	0.6	1
GFCF/GDP	%	22.4	22.4	23.5	23.5	22.8	22.1	-	-
Gross Domestic Savings/GDP	%	22.4	21.1	22.2	21.4	21.2	21.2	-	-
Exports (G&S)/GDP	%	32.9	28.6	31.3	36.5	34.3	33.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	61.9	61.6	61.4	61.3	61.1	61	60.8	60.6
Old-Age (65+) Population (% Share in Total)	%	20.3	20.7	21	21.3	21.7	22	22.3	22.7
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.4	-8.9	-6.6	-4.7	-5.4	-5.8	-5.5	-5.9
Revenue/GDP	%	53.0	52.8	52.9	53.7	51.5	51.4	51.9	51.4
Expenditure/GDP	%	55.3	61.7	59.5	58.4	56.9	57.2	57.3	57.4
GG Gross Debt/GDP	%	98.1	114.8	112.7	111.3	109.7	113.1	116.3	119.1
GG External Debt (by Creditor)/GG Gross Debt	%	52	51	48	41	45	47	-	-
Interest/Revenue	%	2.9	2.4	2.6	3.6	3.6	4.0	-	-
External Indicators									
Current Account Balance/GDP	%	0.6	-2.1	0.3	-1.2	-1	0.4	0.2	-0.2
FDI, Net Inflows/GDP	%	2	0.7	3.3	3.9	0.3	1.75	-	-
Outstanding FII Liabilities/GDP	%	144.7	169.9	150.8	138.0	148.7	148.8	-	-
NIIP/GDP	%	-24.7	-31.7	-29.6	-24.2	-30.1	-19.52	-	-
Foreign Exchange Reserves	USD Billion	166.6	188.9	224.5	244.5	243	240.9	-	-
Import Cover	Months	2.5	3.4	3.0	2.6	2.6	3.2	-	-
External Debt/GDP	%	229.7	279.5	245.3	248.8	252.1	240.1	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.3	0.5	2.1	5.9	5.7	2.3	1.3	1.6
Exchange Rate (Average)	LC per USD	0.85	0.89	0.88	0.85	0.95	0.93	-	-
Non-Performing Loans/Total Gross Loans	%	2.5	2.4	2.2	2.1	2.0	2.1	-	-
Private debt, loans and debt securities/GDP	%	212.3	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; Latest available data for 2024

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	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 Sovereign Rating Methodology](#)

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