

## Highlights of the Sovereign Rating on the Republic of France

### Updated Rating

Long-term Local Currency: AA<sub>i</sub>

Long-term Foreign Currency: AA<sub>i</sub>

Outlook: Stable

### Previous Rating

Long-term Local Currency: AA<sub>i</sub>

Long-term Foreign Currency: AA<sub>i</sub>

Outlook: Negative

Ratings updated on

July 18<sup>th</sup>, 2016

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### Rating Opinions

United Ratings has decided to maintain the long-term local and foreign currency ratings of the Republic of France (hereafter “France”) at AA<sub>i</sub>, with the outlook adjusted from Negative to Stable. In the coming 2017 election, the Right-wing Republican Party is expected to come to power and the current reform policies such as fiscal consolidation and competitiveness improvement will continue to be implemented. The economic recovery tendency is enhanced, the fiscal deficit keeps narrowing, the government debt burden is turning to a downward spiral, and the external status in general remains stable. In summary, the payment ability of the French central government in local and foreign currencies could maintain stable.

### Reasons for Upgrading the Outlook

- Look ahead the general election of 2017, the Republican Party of the Right Wing is expected to come to power once again, and the reform policies such as fiscal consolidation and competitiveness improvement will continue to be adopted.
- In the short run, the country will face the threat of terrorism, and therefore will actively participate in the international anti-terrorist actions. The goal of ensuring the integrity of European Union will remain unchanged.
- The economic recovery is enhanced, and the inflation rate will stay at low level in the short run.
- The fiscal deficit is narrowing, and the government debt burden is expected to decline.
- Assets quality of the banking sector is improved, but the systematic risk of the Euro Zone shall be concerned.
- The deficit in current account is reduced, but the structural problems will make the country’s external imbalance status difficult to be conquered.

## Outlook

To sum up, in the short run, the country's general election will not affect its political stability, while the continuity and effectiveness of the government policies are likely to be improved. Unless some large-scale external shock occurs, the country's economic recovery will continue, the fiscal status

will ameliorate steadily, and the external status will remain stable. For these points mentioned above, United Ratings decided to adjust the outlook of French local and foreign currency ratings from Negative to Stable.

### Key Indicators of the Sovereign Rating on the Republic of France

	2011	2012	2013	2014	2015	2016 <sup>f</sup>
Nominal GDP (billion USD)	2,864.3	2,682.2	2,812.8	28,35.2	2,421.8	2,433.0
GDP per capita (USD)	45,271.8	42,197.9	44,056.9	44,215.5	37,609	37,630
Real GDP growth (%)	2.1	0.2	0.7	0.2	1.2	1.2
Inflation rate (%)	2.6	1.5	0.8	0.1	0.3	0.4
Total lending/GDP (%)	148.1	148.6	137.3	158.2	157.7	159.3
Domestic credit growth (%)	4.6	2.7	-1.3	3.6	2.7	2.9
M2 growth (%)	2.7	3.6	0.3	2.4	5.8	2.0
Budget balance of governments/GDP (%)	-5.1	-4.8	-4.1	-3.9	-3.5	-3.1
Primary balance of governments/GDP (%)	-2.5	-2.2	-1.9	-1.9	-1.7	-1.5
Public debt/GDP (%)	85.2	89.6	92.2	95.5	96.0	96.1
Current-account balance/GDP (%)	-0.1	-1.2	-0.8	-1.0	-0.1	-0.3

Source: Sovereign Rating Database of United Ratings.

Note: "f" stands for forecasts.