



Beyond Bundeslaender – Greater Paris

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**Beyond Bundeslaender:
Greater Paris (IDF/VDP)**

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Beyond Bundeslaender: Greater Paris (IDF and VDP)

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Introduction and structure of France

In this publication, we shall be taking another look at Greater Paris in France, which comprises the Île-de-France (IDF) region and local authority Ville de Paris (VDP), having most recently shone a spotlight on these issuers back in February 2023. Both IDF and VDP represent interesting investment alternatives, especially for ESG (environmental, social, governance) investors. But first, let's start with some basics: in administrative terms, the French Republic, as a decentralised unitary state, is divided into 18 regions (régions; including overseas territories), 101 departments (départements), 333 arrondissements, 2,293 cantons and 37,545 municipalities (communes) (data as at January 2024 in each case). However, the special status entity of VDP, which was created in 2019 from a merger of the municipality of Paris and the Paris department, does not fit into any of these above-mentioned categories. Through this "new" status, a single authority now exercises the powers of the city administration and the department. The regions are the most recent structure of a French local government, having been introduced following the decentralisation law of 1982. Various reforms have subsequently served to strengthen the role of the regions. Nevertheless, France is regarded as a unitary state, as, unlike German Laender or US states, the regions do not have the character of a state. Each region elects regional councils (Conseils Régionaux) for a term of six years, which appoint the president of the regional council. The regional councils primarily control economic aspects. For example, the regional council determines the budget, the staff, and various political decisions. Its responsibilities include regional planning, economic development, vocational training, and rail passenger transport. The French department, which was first created during the revolution of 1789, is the equivalent of a German regional authority. The last territorial reform took place in 2016, following which the previous number of 22 French regions located in mainland Europe was condensed to just 13. An administrative officer (Préfet), appointed by the government, manages the department. There is also the departmental council (Conseil Départemental), whose powers were strengthened by the last decentralisation law. Its tasks consist of administering the budget and managing staff. The departmental council is elected for six years by the cantons, which, as subdivisions of the departments, form the electoral districts. The departments are also divided into arrondissements, which in turn are made up of the municipalities.

Political system

Overall, the system of government in France is characterised by the principle of free administration through elected councils and the limitation of the competence of the local authority to its specific territory. In addition, the responsibilities and resources must comply with the legal requirements. The state plays a key role in this, particularly in organising the sectors and determining resources. At national level, France has a semi-presidential system of government. The executive is composed of the President, who performs the central role in French politics, and the government, which is headed by a Prime Minister appointed by the President. The legislature is characterised by a bicameral system, consisting of a directly elected National Assembly and a Senate elected by representatives of the regions, departments, and municipalities.

Political and economic tensions

Emmanuel Macron has been President of France since 14 May 2017. To begin with, Macron stood for liberal, progressive politics and was committed to deeper European integration. At the previous presidential election in April 2022, the party led by Macron (at this time known as “La République En Marche!” but since renamed “Renaissance” in September 2022), claimed a vote share of just 27.9% in the first round of voting. Nevertheless, Macron made it through to the run-off against the far-right candidate Marine Le Pen, who leads the National Rally (Rassemblement National; RN), where he emerged victorious with 58.6% of the votes in this second round. However, in doing so he became the first French president in 30 years to fail to gain an absolute majority in the National Assembly. In the following years, dissatisfaction among the French electorate continued to grow. The impacts of the COVID-19 pandemic, which hit France particularly hard, and the energy (price) crisis are providing political dynamite that opposition figures such as Marine Le Pen are keen to opportunistically exploit. The rural population in particular feels increasingly disconnected, while the country is torn on the subject of immigration. In the European elections in June 2024, Le Pen and the RN won 31.4% of the votes, while Macron floundered with just 14.6%. In response to these chastening results, Macron announced the immediate dissolution of parliament and snap legislative elections as an “act of trust”. The Macron camp made a pact with the left-wing alliance “Nouveau Front Populaire” (NFP) with a view to preventing an absolute majority for the RN. In the end, the NFP emerged as the winner of the election with 180 seats in the National Assembly. Macron followed in second place with 163 seats, with the RN forced to contend with third place and 143 seats. After the recent snap elections, it is again expected that Macron will be unable to form a governing majority with his parliamentary bloc. This situation is comparable to the aftermath of the 2022 legislative elections. As such, his remaining time as President is likely to be characterised more by having to deal with instability in France and political deadlock than by opportunities to implement political reforms.

Energy situation in France

As in many countries across Europe, the effects of Putin’s war of aggression in Ukraine are also leaving their mark on France, particularly in the form of increased energy costs. However, given that France’s energy mix is largely comprised of nuclear energy, the country is less dependent on imported Russian gas than other EU countries. In 2023, nuclear energy covered 67% of the national energy consumption. Nuclear energy is set to remain a key pillar of French energy supply and will be expanded further moving forward. Commissioning of one of the six planned power plants was authorised in May 2024. Moreover, the government is discussing the construction of eight additional nuclear reactors. The cost of the six new power plants comes to approximately EUR 60bn. Until now, energy prices in France have been capped at EUR 42 per MWh by the ARENH system, which is well below the additional production costs. As at year-end 2023, the French state-owned energy company EDF, which operates all nuclear power plants in France, reported debt amounting to EUR 54.3bn. The current ARENH system expires in 2026, after which a new price cap in line with production costs of around EUR 70 per MWh will apply. This results in an increase of around +67%, although these costs will not be passed on to end consumers in full. The energy price per kWh in France, which was still 17% below the EU average in 2022, will therefore start to converge with the EU average in the future. Though France is continuing to expand its renewable energies, it has categorically rejected the EU-Commission’s target of renewables accounting for 44% of total energy consumption by 2030.

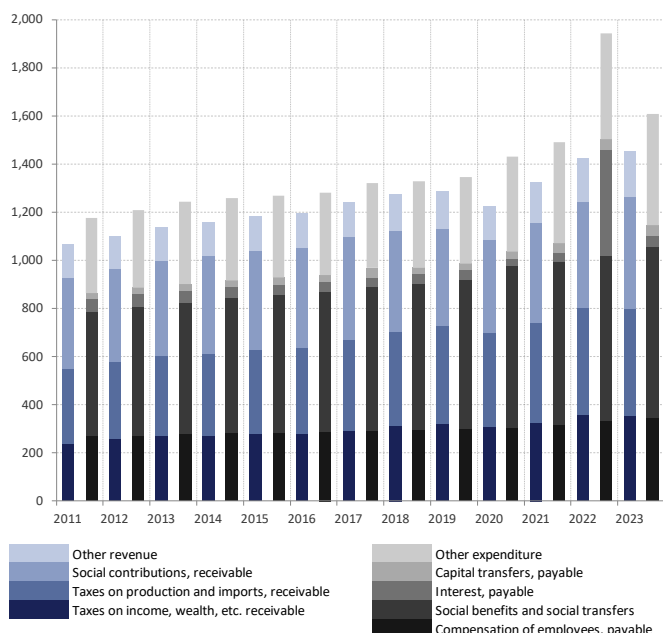
2023 values in EUR (2022)

Nominal GDP	2,822bn (2,655bn)
Real GDP growth	+0.9% (+2.6%)
Nominal GDP per capita (vs. 2022)	41,330 (+2,320)
Unemployment rate	7.3% (7.3%)
Budget balance	-154.0bn (-125.8bn)
Budget balance / GDP	-5.5% (-4.8%)
Debt / GDP	110.6% (111.9%)

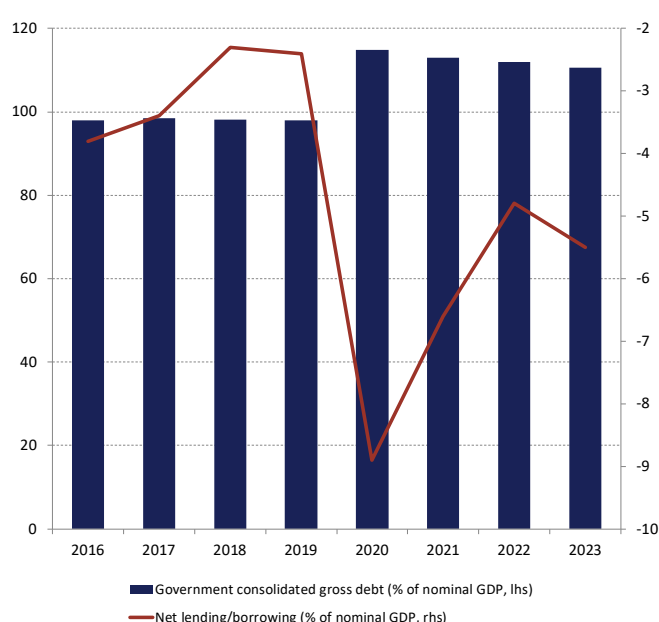
Development of the French economy

Public debt in France steadily rose in the wake of the financial crisis before eventually stagnating prior to the pandemic years at a level of just below 100% of nominal GDP. Following the COVID-19 pandemic, French public debt increased to 115% in 2020, before continually falling again in the following years to 110.6% by 2023. Nevertheless, France is among the top three most heavily indebted EU Member States. Moreover, its public debt ratio is nearly twice as high as the 60% ceiling set by the EU convergence criteria. As a result, France has been subject to more stringent supervision by the European Commission since June 2024, after EU debt rules were applied again for the first time since the pandemic. In order to contain the effects of the COVID-19 crisis and inflation in France, the government acted in line with a motto of “whatever the cost” as far as protecting the French economy was concerned. However, economic growth could not fully offset the resultant additional spending. This ultimately resulted in a budget deficit in units of nominal GDP being recorded every year since the pandemic (2022: -4.8%; 2023: -5.5%). This negative development initially prompted the rating agency Fitch to downgrade its rating for France by one notch to AA- in April 2023. The risk experts from S&P then followed on 31 May 2024. In fact, you have to go back as far as 1974 to find the last time that France posted a balanced public budget. As early as 2021, France began making strides in mitigating the adverse economic impacts of the COVID-19 pandemic; since this time, economic growth has been on a solid upward trajectory. In 2022, real GDP growth came to +2.6% year on year. While an average GDP growth in real terms of +0.4% year on year was recorded across the Eurozone in 2023, France recorded above-average growth of +0.9% year on year for this metric. This positive trend can also be seen in the labour market. In 2022, the French unemployment rate declined by -0.6 percentage points compared with the prior year (2021: 7.9%) to 7.3%, although this development stagnated in 2023, remaining above the EU average of 6.1% in the process. The European Commission’s forecasts for future development reveal that there is a threat of a further increase in the high debt level, which could potentially reach 114% of nominal GDP in 2025. The reasons cited here are higher interest payments, only slightly falling expenditure and sluggish economic growth.

Total revenue vs. total expenditure (EURbn)



Government debt vs. budget balance (%)



Source: Eurostat, IMF, Insee, NORD/LB Floor Research

Île-de-France (IDF) and Ville de Paris (VDP) – the conurbation around the capital

The Ville de Paris, which forms the heart of the Île-de-France region, is one of the major cities in Europe, with a population of 2.1m people. The Île-de-France region comprises the conurbation surrounding the capital city of Paris. Accounting for only 2% of the total area of France, IDF is the second-smallest region in terms of area, but with roughly 18% of the total population it is by far the most populous. The 12.4m inhabitants are spread over eight departments. The regional council consisting of 209 members was last elected in June 2021 after the elections were postponed in March due to the COVID-19 pandemic. As a global city, young people are drawn to Paris: over 50% of the population is aged under 40. Thanks to a multitude of sightseeing attractions, a culture steeped in history and two large nature reserves, both Paris and the Île-de-France region can be regarded as a tourist magnet. In 2023, a total of 47.5m tourists visited the region around the French capital. According to Euromonitor International, this makes Paris the most popular city travel destination in the world for the third year running. It should also be mentioned that Paris is the host of the Olympic Games and Paralympics in 2024.

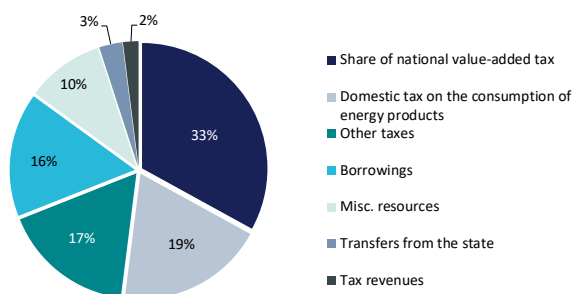
Economic situation in the Paris region

In addition to its cultural and political importance, Île-de-France, with Paris as the capital, also forms the economic heart of France. In 2021, the nominal GDP of IDF amounted to EUR 734bn, before rising to EUR 783bn in 2022. This represented approximately 28% of French GDP. As such, the GDP of Île-de-France alone was higher than that, for example, of Austria and Sweden, and equated to around 5.4% of nominal GDP at EU level. With GDP per capita of EUR 63,116 (2022), IDF is the most prosperous region in France. Moreover, its nominal GDP is almost twice as high as the average figure for the EU of EUR 35,620. At the time that this report was prepared, GDP data for Île-de-France in 2023 was not yet available. With around 1.5m enterprises having opted to base themselves in Île-de-France, the region is extremely attractive to both national and international companies, while the region also has at its disposal the largest volume of commercial space in Europe, with real estate in this category covering an area of around 53m square metres. The Greater Paris area is home to the highest concentration of companies listed on the Fortune Global 500 Index (2023: 23 companies), making the region one of the largest economic clusters in Europe as a result. Île-de-France's economy is highly diversified. Important sectors include banking and insurance (e.g. BPCE, AXA), the automotive industry (Renault, Groupe PSA), the energy sector (TotalEnergies) and the production of luxury goods (LVMH, Kering). With around 8,600 start-ups and investments totalling EUR 15.2bn in the years 2022 and 2023, Paris is a stronghold in Europe for young companies. With investment in excess of EUR 60bn, the "Grand Paris" project – the largest infrastructure project in Europe – is currently being realised in the French capital. As part of this, the "Grand Paris Express" plan involves the extension and modernisation of the Paris metro network and is also designed to promote sustainable mobility solutions. The project is being managed by the state-backed infrastructure financier Société des Grands Projets (Ticker: SOGRPR), which operated as Société du Grand Paris until mid-2023. In addition to the Ministry of Economy and Finance, this organisation reports to two other ministries as well as the authority responsible for public transport, Île-de-France Mobilités (IdFM), which until 2017 was still operating as the Syndicat des Transports d'Île-de-France (STIF). Completion of the project is scheduled for 2030. Regional companies active in the construction industry and the railway equipment sector are primarily involved in the expansion of the metro network. Of the 4,524 companies involved in the project, more than half (2,408) are based in the Île-de-France region.

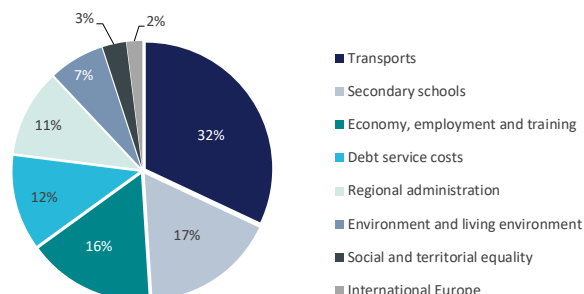
IDF: 2024 budget plan targets record investments despite cost-cutting measures

Since 2016, Île-de-France has sought to cut administrative costs and invest a larger portion of the budget. In 2024, investments by the region are expected to come in at a record level of EUR 2.9bn (+5.6% Y/Y). Year on year, operating expenses in 2024 are to be reduced by -0.6% to EUR 2.3bn. The primary objectives of the 2024 budget plan are to support the economy and the sustainable transformation of the region, in addition to further reductions in operating expenses. In 2024, the budget of the IDF region amounts to around EUR 5.8bn, with the largest items relating to the areas of transport (EUR 1.9bn), secondary schools (EUR 1.0bn) as well as business and labour market promotion (EUR 0.95bn). The budget also makes it clear that Île-de-France is building on its plans from the previous year and sees investments in young people and students as a major driving force for the future success of the region. In 2024, a total of EUR 1.9bn will be made available for this purpose, of which a sum of EUR 978m will go towards secondary schools. Sustainability also plays an important role in the regional budget. For example, since 2020, the aim has been for one in every two euros invested to generate a positive environmental impact. In 2024, the region adopted a budget worth EUR 400m over a period of five years for industrial decarbonisation. In addition, there is a focus on accelerating the region’s adaptation to climate change. Sectors such as research and innovation, culture, sport, tourism, and public safety also stand to benefit from the 2024 budget. Added to this, IDF has allocated EUR 240m for the construction and renovation of infrastructure used for the Paris 2024 Olympic Games. At EUR 5.8bn, income streams for 2024 are expected to be made up of tax receipts (71%), borrowing (16%), other income (10%) and government grants (3%). The tax revenues primarily consist of the domestic consumption tax on energy products (TICPE, Taxe Intérieure de Consommation sur les Produits Energétiques). Capital market funding is primarily sourced through bond issues (88.7%). In addition, fresh capital is to be raised through private placements and Schuldscheindarlehen (SSD) deals. There is also a long-term partnership with the European Investment Bank (EIB) to finance sustainable investment projects.

IDF: Budgeted revenues (2024)



IDF: Budgeted expenditure (2024)

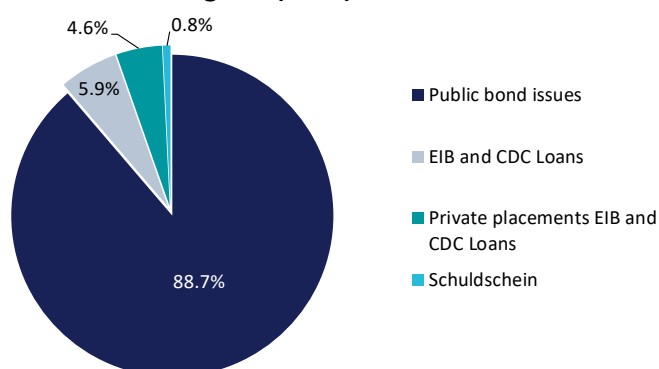


Source: Île-de-France, NORD/LB Floor Research

Île-de-France – funding

Île-de-France is regularly active on the capital market. The issuance of public bonds is the main funding method, followed by private placements. The region is also open to SSD deals. Overall, by the end of 2023 the proportion of ESG bonds in the regional debt level had grown to 91% (EUR 5.8bn). The region's total debt amounted to EUR 6.4bn as at year-end 2023. As at year-end 2023, the regular funding mix consisted of bonds (93.3%) and loans (6.7%). IDF bonds qualify from now on as Level 1 assets under the LCR and are subject to a risk weight of 0%. IDF also plans to issue additional benchmarks in ESG format in the coming years, with deals of this kind set to account for 100% of the total debt level by 2028. Alongside IDF, VDP has also set itself the goal of increasing its sustainability-related refinancing activities. For example, the funding mix has been selectively supplemented with ESG bonds since as early as 2015.

Île-de-France: refinancing mix (2024)



Source: Île-de-France, NORD/LB Floor Research

Sustainability as a fundamental principle

Île-de-France is an active advocate of sustainable development. As such, ESG bonds have been the main component of the region's funding strategy for several years already. Looking back, Île-de-France has issued a total of 13 green and sustainable bonds with a total value of EUR 5.8bn since 2012, meaning that these account for around 91% of the regional debt level as at year-end 2023. The sustainability rating by Vigeo Eiris (which has been part of Moody's Investor Services since 2019) ranks Île-de-France as the third most sustainable region in its sector (as at December 2021). The Green and Sustainable Bond Framework, which IDF is guided by, includes the areas of sustainable mobility and renewable energies, among others, in addition to a new category focused on improving medical infrastructure that was added in the most recent update from [March 2021](#).

Rating

Île-de-France is rated by Fitch (May 2024: AA- [stable]) and Moody's (November 2023: Aa2 [stable]). Fitch downgraded its rating for IDF by a single notch in May 2023, which came about following the downgrade of France in April 2023. S&P revoked its rating for IDF back in 2012. Both Moody's and Fitch highlight the sound debt management policy pursued by IDF. VDP is rated by Fitch (May 2024: AA- [stable]), Moody's (March 2024: Aa2 [stable]) and S&P (June 2024: AA- [stable]). These ratings were also downgraded by a single notch following the downgrade to the French sovereign rating implemented by Fitch and S&P.

General information: IDF**Outstanding bond volume**

EUR 6.4bn

Of which EUR bonds

EUR 6.4bn

Bloomberg ticker

IDF

General information: VDP**Outstanding bond volume**

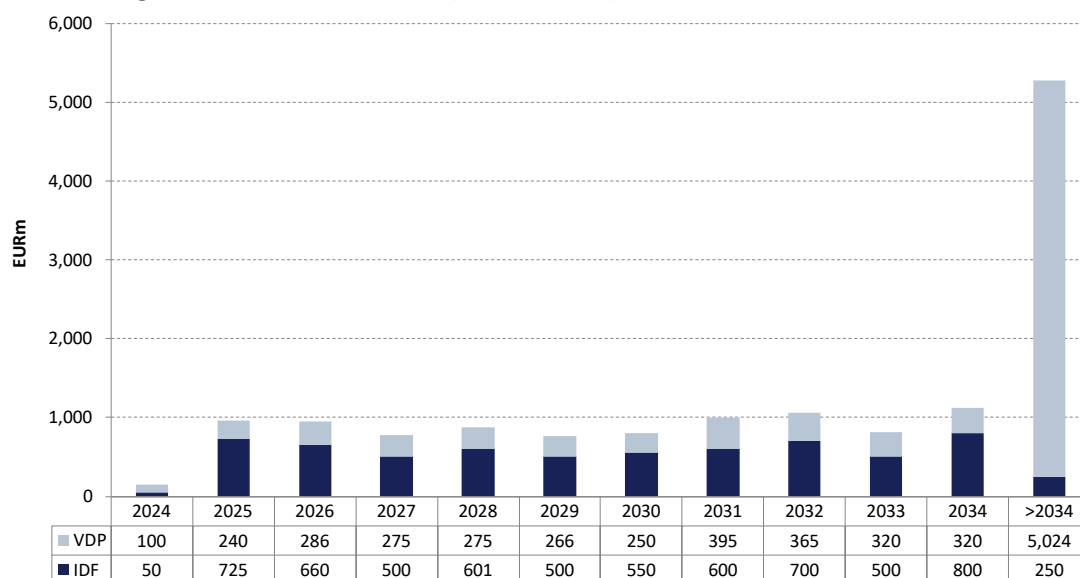
EUR 8.1bn

Of which EUR bonds

EUR 8.1bn

Bloomberg ticker

VDP

Outstanding bonds of French issuers (IDF and VDP)

NB: Foreign currencies are converted into EUR at rates as at 23 August 2024.

Source: Bloomberg, NORD/LB Floor Research

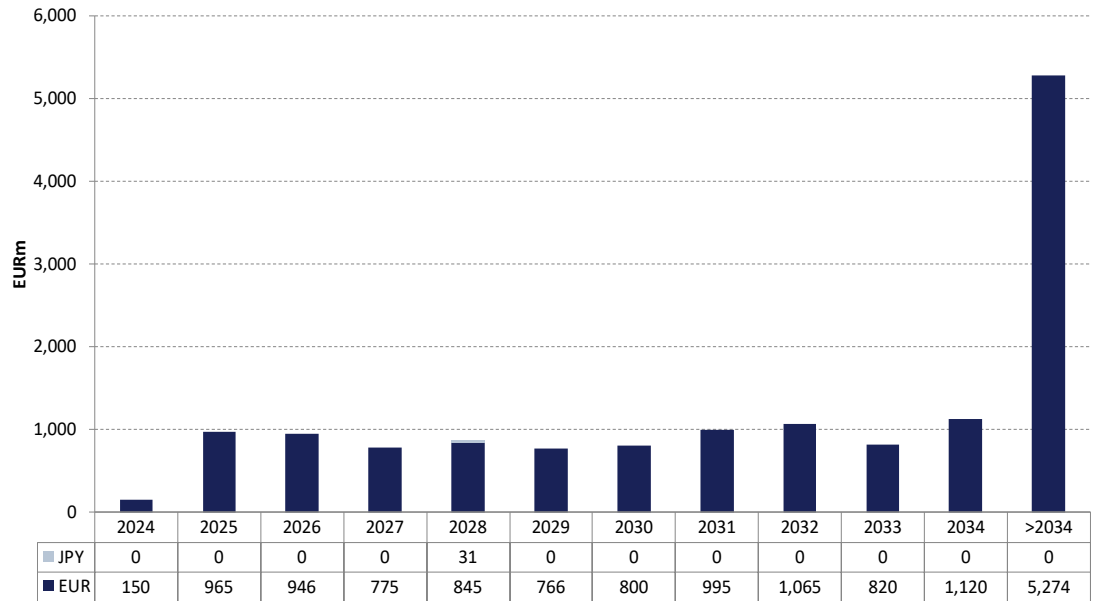
Outstanding volume

Of course, the two tickers that form the focus of our attention here – IDF and VDP – do not represent the entirety of French regions. Various other local authorities and regional vehicles/agencies are also active on the capital market [e.g. [Auvergne-Rhône-Alpes \(ARA\)](#), [Pays de la Loire \(PDL\)](#), MARSE (City of Marseille) and CUDM (Communauté Urbaine Marseille Provence Métropole)]. Nevertheless, based on our narrow definition of the relevant universe, a total of 86 bonds are now outstanding. This already indicates a certain granularity when it comes to Parisian regional bonds. A total of EUR 14.5bn is currently outstanding. In terms of foreign currency deals, we have identified just a single transaction (IDF) denominated in JPY. The FX segment accordingly accounts for barely a fraction of the breakdown of liabilities. At the end of 2020, IDF still had other FX bonds outstanding (denominated in AUD). As a result, practically all of the outstanding volume is diversified across maturities rather than currencies. Around EUR 5.3bn will not fall due until 2034, which suggests that very long-term refinancing is the preference (largely attributable to VDP). There is also another twist: all ten benchmark bonds pertain to the IDF ticker, meaning that EUR 5.9bn of the overall outstanding volume of EUR 6.4bn can be described as large-volume and liquid. For its part, VDP has an outstanding volume of EUR 8.1bn spread across 69 separate ISINs.

Fixed coupons dominate

Fixed coupons account for the dominant share of bonds from both issuers. Of the EUR bonds (85) we have identified, a total of 81 feature a fixed coupon. This equates to a share of around 95%. Bonds with the classification “floating” (5%) follow thereafter. The last remaining FX bond (JPY) also has a fixed coupon. Overall, the two issuers are quite open to niche products in terms of their refinancing profiles (sub-benchmarks in addition to private placements and SSD deals). The share of fixed coupons, as measured against German Laender, for example, is on the high side. The refinancing strategies of both issuers are sufficiently varied, as explained above.

Outstanding bonds of French issuers (IDF and VDP)

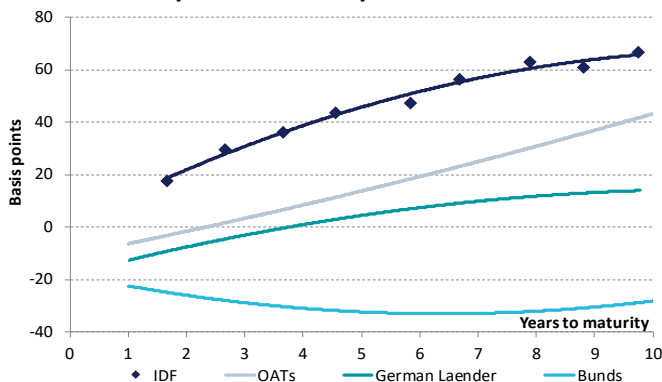


Source: Bloomberg, NORD/LB Floor Research

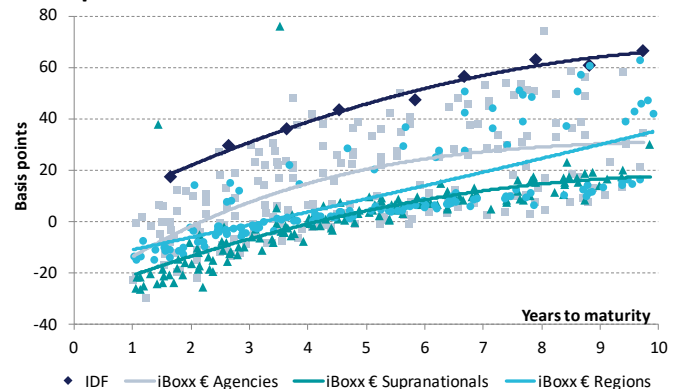
IDF vs. iBoxx € Regions and German Laender

As explained in the previous section, it is only IDF that currently has outstanding EUR benchmark bonds relevant for a spread analysis. Compared with the iBoxx € Regions, IDF bonds trade with premiums across the entire maturity spectrum. At the long end (term to maturity: ten years), the spread difference can reach up to +24bp. In the medium maturity segment of around five years, the spread is slightly higher. The differences versus agencies and supranationals are more pronounced. Compared with bonds from these regular issuers, which boast even better average ratings and generally offer far higher liquidity, this is hardly surprising. The same applies in comparison with both German and French sovereign bonds and in relation to the German Laender. Overall, as the sole benchmark issuer, IDF features the widest spreads versus its peers and could therefore – with limited liquidity – generate a pick-up for investors. In addition, both issuers (IDF and VDP) may well be open to private placements and meeting certain yield expectations on the part of institutional investors.

Generic ASW spreads – a comparison



ASW spreads IDF vs. iBoxx € Indices



Source: Bloomberg, NORD/LB Floor Research; data from 23 August 2024

Regulatory overview for RGLAs* / ** (Examples)

Issuer	Risk weighting	LCR classification	NSFR classification	Solvency II classification
Belgian regions	0%	Level 1	0%	preferred (0%)
German Laender	0%	Level 1	0%	preferred (0%)
Italian regions	20%	Level 2A	15%	non-preferred (individual review)
Austrian Bundeslaender	0%	Level 1	0%	preferred (0%)
Spanish regions	0%	Level 1	0%	preferred (0%)
French regions	0%	Level 1	0%	preferred (0%)

* Regional governments and local authorities

** NB: in the absence of an explicit guarantee from the respective nation state, the current LCR level is dependent on the relevant rating (see CQS classification and LCR classification of assets).

Source: NORD/LB Floor Research

Exceptions to scope of application of the Leverage Ratio (CRD IV Art. 2 Para. 5) (examples)

EU	Central banks of Member States
Germany	Kreditanstalt für Wiederaufbau (KfW), undertakings which are recognised under the "Wohnungsgemeinnützigkeitgesetz" as bodies of state housing policy and are not mainly engaged in banking transactions, and undertakings recognised under that law as non-profit housing undertakings (e.g. Rentenbank, L-Bank, IFBHH, IBSH etc.).
Italy	Cassa Depositi e Prestiti (CDP)
Spain	Instituto de Crédito Oficial (ICO)
Portugal	Caixas Económicas existing on 01 January 1986, with the exception of those incorporated as limited companies and Caixa Económica Montepio Geral
France	Caisse des Dépôts et Consignations (CDC)

Source: [CRD IV](#), NORD/LB Floor Research

Regional governments and local authorities (solvency stress factor allocation of 0% possible; examples)

Country	Regional and local governments
Belgium	Communities (Communautés/Gemeenschappen), regions (Régions/Gewesten), municipalities (Communes, Gemeenten) & provinces (Provinces, Provincies)
Germany	Laender, municipalities and municipal associations
Portugal	Autonomous regions the Azores and Madeira
Spain	Autonomous regions (comunidades autónomas) and local government (corporación local)
France	Regions (régions), municipalities (communes), "départements"

Source: [\(EU\) 2015/2011](#), NORD/LB Floor Research

Summary of French regions

Risk weighting	0%
LCR classification	Level 1
NSFR classification	0%
Solvency II classification	Preferred (0%)

Issuer (Ticker)	Inhabitants (2023)	Unemployment (2023)	Nom. GDP per capita (2021)	Outstanding volume	No. of bonds	Rating
IDF	12.4m	7.6%	EUR 62,100	EUR 6.4bn	17	(AA- / Aa2 / -)
VDP	2.1m	5.7%	EUR 118,000	EUR 8.1bn	69	(AA- / Aa2 / AA-)
France	68.2m	7.3%	EUR 37,000	EUR 2,510bn	74	(AA- / Aa2 / AA-)

Source: Bloomberg, European Commission, Eurostat, Insee, NORD/LB Floor Research (Ratings: Fitch / Moody's / S&P)

Liability mechanism

There is no explicit guarantee on the part of the French state for the regions or local authorities. However, a system of financial equalisation (as regulated by Article 72 (2) of the Constitution of France), which consists of payments between the regions (horizontal financial equalisation) as well as payments from the state to the regions (vertical financial equalisation), has been in place since 2003. Due to their stable financial situation, the French regions boast good credit ratings. Moreover, under the current legal framework, it is not possible for regions to become insolvent.

Paris regions benefit from changes to the regulatory environment

[At the start of July 2024](#), the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the French financial market supervisory authority which in terms of its operations is directly subordinate to Banque de France, the French central bank, decided that exposure to French sub-sovereigns would in future be treated in the same way as exposure to the French central government. According to the standard approach in line with [Regulation \(EU\) 575/2013 \(CRR\)](#), this now results in a risk weight of 0% for the French municipalities, public bodies for inter-municipal cooperation with their own taxation, departments and regions, whereas previously these had been subject to a risk weight of 20%. For bonds issued by French sub-sovereigns, this continues to result in Level 1 classification under the LCR and a corresponding NSFR classification of 0%. In this respect, equal regulatory treatment with bonds issued by the [German Laender](#) and [Spanish regions](#) is therefore guaranteed. Previously, these issuers had benefited from preferential treatment in comparison to issuers from the segment of French sub-sovereigns. Preferred classification within the framework of [Solvency II](#) already existed beforehand. From our perspective, this decision by the ACPR is likely to further improve the access to and cost of refinancing for French sub-sovereigns such as IDF and VDP, which could provide an additional tailwind in view of the significant investment needs at this time of such pronounced uncertainty.

ECB purchase programme

To kick off this section, it is important to highlight the fact that no net purchases have been made under the ECB's APP (Asset Purchase Programme) since 01 July 2022. Since 2023, reinvestments of maturities under the APP portfolio have also been discontinued. However, the reinvestment of assets within the framework of the ECB's PEPP (Pandemic Emergency Purchase Programme) portfolio will continue until at least the end of 2024, although the portfolio holdings are to be reduced by an average of EUR -7.5bn per month starting from the beginning of July 2024. It is interesting to look at the Eurosystem's purchasing activities. Of course, there are many French names listed among the European agencies, for example CADES, UNEDIC, AGFRNC, BPIFRA (formerly: OSEOFI), SFILFR and SOGRPR, among others. Of the issuers considered in this publication, only eight bonds issued under the IDF and VDP tickers have found their way onto Eurosystem's shopping list over this time frame. This is significantly fewer than in the case of both Spain and Belgium, for example. The number of ISINs also remains numerically small in comparison to the German Laender in particular. In fact, a total of 623 different German Laender bonds have already been purchased across the same period – compared with 145 from the rest of Europe, including the five from IDF and three from VDP.

Conclusion

The Île-de-France region has become increasingly well-established on the capital market in recent years. As a result of its activities in the ESG segment along with outstanding green and sustainability bonds, it offers an interesting investment option for ESG investors specifically. In addition, IDF boasts comparatively strong economic framework conditions and qualifies for ratings of Aa2 and AA- from Moody's and Fitch respectively. In May 2023, Fitch downgraded its rating for IDF by one notch. The reason for this was the downgrade of the French state, which likewise moved from AA to AA-. According to the European Commission, inflation in France is set to fall to an average of 2.5% in 2024. This ties in with the economic growth forecasts of +0.9% for 2024. However, we should point out that the downgrade of the French rating was not unwarranted: unemployment is projected to rise, with continued high budget deficits and increased gross total debt also expected. At 110.6% in units of nominal GDP in 2023, the latter was already well above the EU convergence criteria. Another rating downgrade for France in 2024 was implemented by S&P. This had a corresponding impact on the credit rating of VDP. Political instability at government level can now also be added to this mix. With three parties, none of which has an absolute majority, France is facing an unprecedented situation. Major differences of opinion exist between the parties, which is likely to make it difficult to advance dynamic reforms that will get the country moving forward again. Despite the negative headlines at national level, we evaluate the current regulatory developments in the context of the ACPR decision as altogether positive. In our view, a risk weight of 0% coupled with Level 1 classification within the framework of the LCR and an existing "preferred" status in the context of Solvency II increases the attractiveness of French regional bonds and should offer more favourable conditions to issuers' funding projects. In terms of the transparency on offer for investors and analysts, we would be particularly keen for VDP to expand its investor relations activities on their homepage.

Appendix

Publication overview

Covered Bonds:

[Issuer Guide – Covered Bonds 2023](#)

[Covered Bond Laws](#)

[Covered Bond Directive: Impact on risk weights and LCR levels](#)

[Risk weights and LCR levels of covered bonds](#) (updated semi-annually)

[Transparency requirements §28 PfandBG Q2/2024](#) (quarterly update)

[Transparency requirements §28 PfandBG Q2/2024 Sparkassen](#) (quarterly update)

SSA/Public Issuers:

[Issuer Guide – German Laender 2024](#)

[Issuer Guide – German Agencies 2024](#)

[Issuer Guide – Canadian Provinces & Territories 2024](#)

[Issuer Guide – European Supranationals 2023](#)

[Issuer Guide – French Agencies 2023](#)

[Issuer Guide – Nordic Agencies 2024](#)

[Issuer Guide – Dutch Agencies 2024](#)

[Issuer Guide – Non-European Supranationals \(MDBs\) 2024](#)

[Beyond Bundeslaender: Belgium](#)

[Beyond Bundeslaender: Greater Paris \(IDF/VDP\)](#)

[Beyond Bundeslaender: Spanish regions](#)

Fixed Income Specials:

[ESG-Update 2024](#)

[ECB: Taylor Swift and the inflation, or...](#)

Appendix

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