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Britain should be downgraded says Noyer

By Hugh Carnegie in Paris

The governor of France's central bank has launched a strong attack on credit rating agencies, calling them "incomprehensible and irrational" as Paris braces for a potential downgrade of the country's triple A status.

Christian Noyer, head of the Bank of France, said a French downgrade would not be justified – adding that the agencies should begin by downgrading the triple A rating of Britain, which "has bigger deficits, more debt, higher inflation, less growth than us and where credit is shrinking.

"The agencies have, frankly, become incomprehensible and irrational. They launch threats, even though (eurozone) states have taken strong and positive decisions ... a downgrade does not seem to me justified based on economic fundamentals," Mr Noyer said in a newspaper interview.

François Fillon, the prime minister, added to rising expectations of a French downgrade, saying during a visit to São Paulo that it was probable that Paris would face "more jolts" as it battled to overcome the crisis. He was the fourth senior government member this week to suggest that a downgrade was looming.

"The markets and the rating agencies have their own logic. They are of the immediate, the instant. But what is important is not their judgment on one day, but the strategic political trajectory and budgetary rigour that Europe, and France, have decided to adopt," he said.

France is among 15 eurozone members put on negative watch by Standard & Poor's earlier this month – but it was the only one of six single currency countries with a triple A rating threatened with a two-notch downgrade. Britain's triple A is not currently under threat.

S&P said it would decide on taking action after it had judged the outcome of last week's European Union summit on the sovereign debt crisis. Financial markets have reacted negatively to the summit and Moody's, a rival agency, has already commented that it did not believe the summit had improved the outlook for the eurozone.

Mr Noyer said: "I don't know what the agencies are doing. As I see it, what they have succeeded in doing by their critical commentaries is undermining a positive sentiment which existed on the markets the day after the summit in Brussels."

President Nicolas Sarkozy's centre right government had until this week stressed the

importance of preserving the country's triple A, making it a central political goal. It has rolled out two emergency Budget packages since August in a bid to contain France's rising debt and hold on to the rating.

But Mr Sarkozy himself said on Monday that a loss of the triple A would not be "insurmountable" as he apparently sought to prepare public opinion for a downgrade.

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