

Czech Republic

Rating report

Rating rationale

A strong record of sound macro-economic policies: The Czech Republic's strong track record of sound macro-economic policy making, combined with a competitive industrial base and well-developed manufacturing sector, bolstered by the steady inflow of foreign direct investment and EU financing contribute to the economy's resilience.

A robust fiscal position with moderate budget deficits and government debt levels: Despite the recent rise in public debt since the pandemic, the Czech Republic's sovereign debt ratio remains among the lowest in the European Union. Scope currently expects a stabilisation of the general government debt ratio around 43% of GDP over the forecast horizon to 2029 – even accounting for the ramp-up in military spending.

Rating challenges include: i) the pressures on public finances, including from adverse demographics, military expenditure and higher interest costs; and ii) an economic structure reliant on global supply chains and external demand, exposing the economy to external crises, alongside the risk of exchange-rate volatility and considering moderate levels of reserves.

Parliamentary elections are to be held by the autumn of this year, with the right-wing Action of Dissatisfied Citizens (ANO) of ex-premier Andrej Babiš leading under opinion polling.

Foreign currency

Long-term issuer rating/Outlook

AA-/Stable

Senior unsecured debt

AA-/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AA-/Stable

Senior unsecured debt

AA-/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Figure 1: The Czech Republic's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating		
		Weight	Indicative rating					Notches	Notches
Domestic economic risk		35%	aa-	CZK	Czech Republic	0	AA-		
Public finance risk		20%	aa			0			
External economic risk		10%	bbb			0			
Financial stability risk		10%	aaa			0			
ESG risk	Environmental factors	5%	bbb-			[+0]		[-0]	- 1/3
	Social factors	7.5%	bb-						0
	Governance factors	12.5%	aaa						0
Sovereign Quantitative Model		aa-			0				
Additional considerations					0				

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Credit strengths and challenges

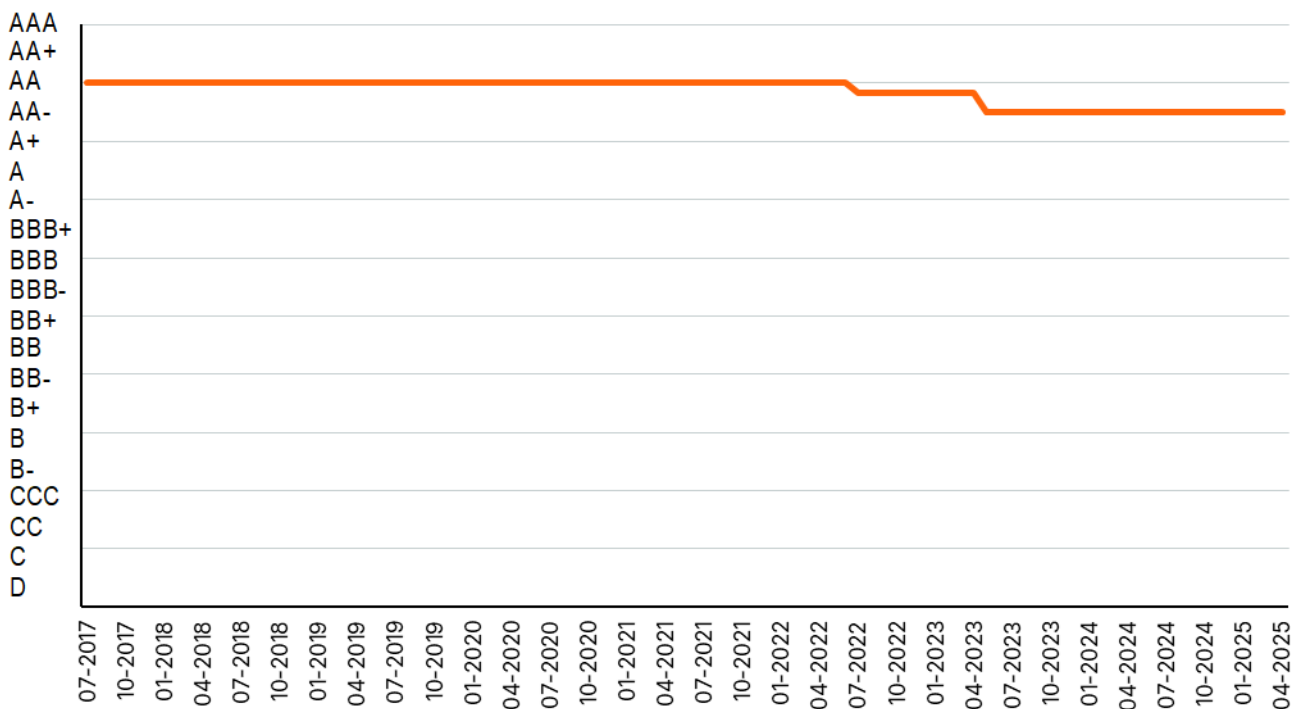
Credit strengths	Credit challenges
<ul style="list-style-type: none"> A strong track record of sound macro-economic policies A stable fiscal position with moderate budget deficits and levels of government debt 	<ul style="list-style-type: none"> The pressures on public finances ranging from adverse demographics to military expenditure and higher interest costs Reliance on global supply chains and external-sector demand; exchange-rate fluctuations and moderate reserve coverage

Outlook and rating triggers

The Stable Outlook underscores the view that risks for the ratings are balanced.

Positive rating-change drivers (for the long-term ratings)	Negative rating-change drivers
<ul style="list-style-type: none"> Fiscal performance improved materially, resulting in a significant decline in the government debt ratio The economy’s resilience against external shocks is strengthened materially, supporting macro-economic and external-sector stability Further convergence towards EU average income levels 	<ul style="list-style-type: none"> Fiscal and/or economic outlooks weakened, resulting in elevated fiscal deficits and increasing government debt Institutional risks rise The economy’s resilience against external shocks is weakened

Figure 2: Rating history



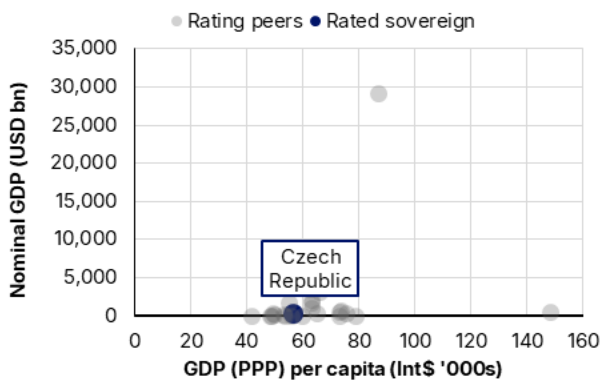
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of the Czech Republic's Domestic Economic Risk

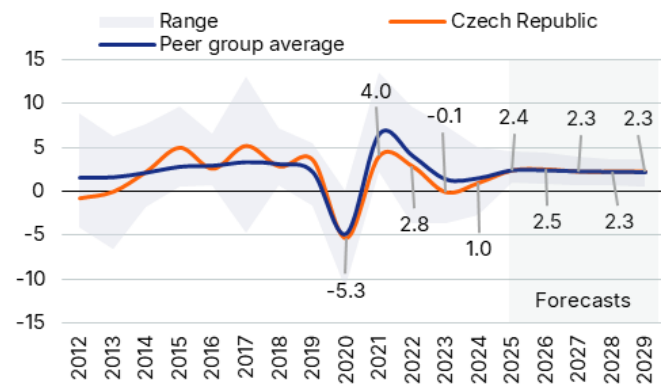
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Growth potential and outlook	Neutral	0	The economy remains reliant on external demand, but longer-run growth anticipated to stabilise around 2.25% a year
	Monetary policy framework	Neutral	0	A credible central bank in the Czech National Bank; small local-currency bond market restricts the effectiveness of monetary policies
	Macroeconomic stability and sustainability	Neutral	0	Moderate economic diversification; reliance on external markets; persistent labour-market shortages

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



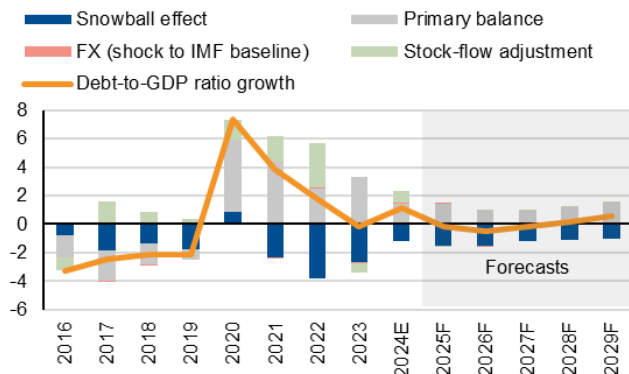
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of the Czech Republic's Public Finance Risk

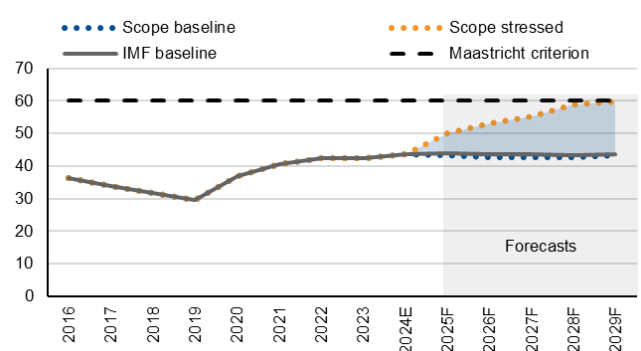
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Fiscal policy framework	Neutral	0	A strong track record of maintaining sound public finances even after the Covid and energy shocks
	Long-term debt trajectory	Neutral	0	A moderate public-debt burden forecast to remain broadly stable, but risks after this year's elections
	Debt profile and market access	Neutral	0	Substantial liquid assets in the form of public-sector deposits; but a very-short average maturity of government treasuries; moderate government financing requirements

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



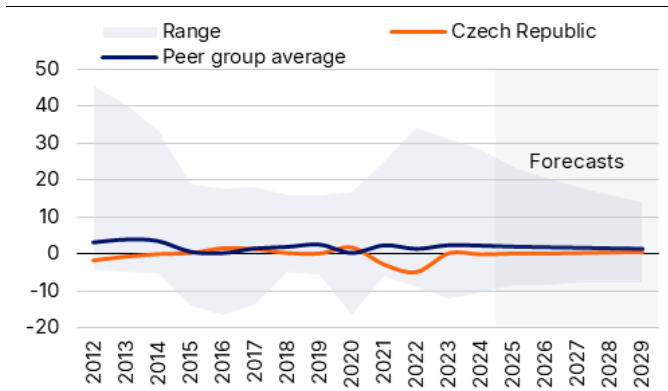
Source: IMF WEO, Scope Ratings forecasts

External economic risk

Overview of Scope's assessments of the Czech Republic's External Economic Risk

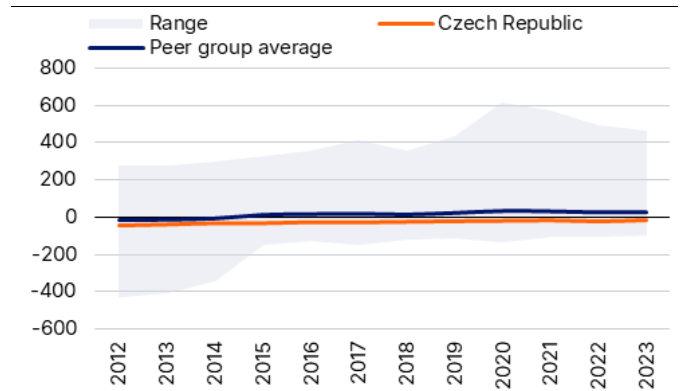
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Neutral	0	A freely-floating koruna and competitive industrial base support current-account dynamics
	External debt structure	Neutral	0	The external debts of the private sector make up the majority of total external debt, but nearly half of external debt liabilities have a short-term original maturity
	Resilience to short-term external shocks	Neutral	0	A medium-sized, open economy; reliance on external demand and foreign direct investment; moderate reserve coverage of short-term external debt

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



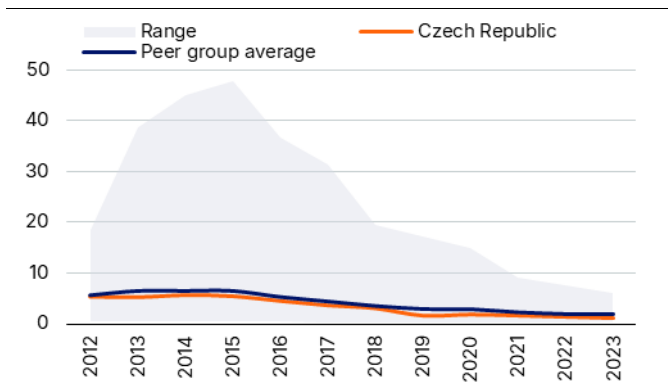
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of the Czech Republic's Financial Stability Risk

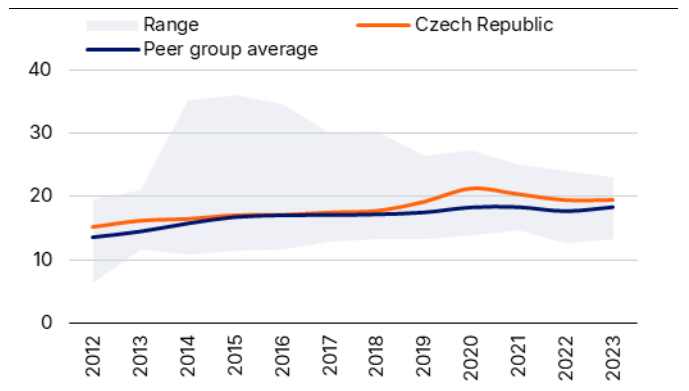
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	A robust banking-system funding profile
	Financial sector oversight and governance	Neutral	0	Effective financial-system supervision; timely and comprehensive regulatory measures
	Financial imbalances	Neutral	0	Moderate household and private-sector indebtedness; low savings rates

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



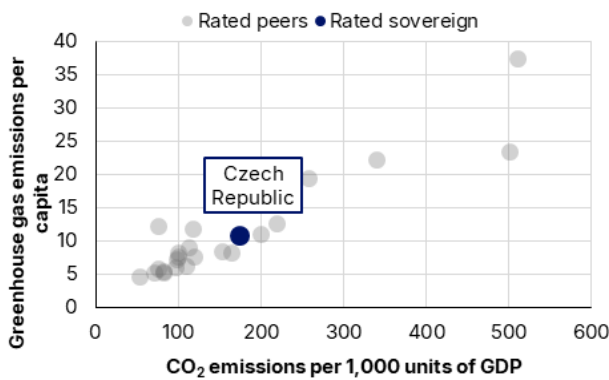
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope’s assessments of the Czech Republic’s ESG Risk

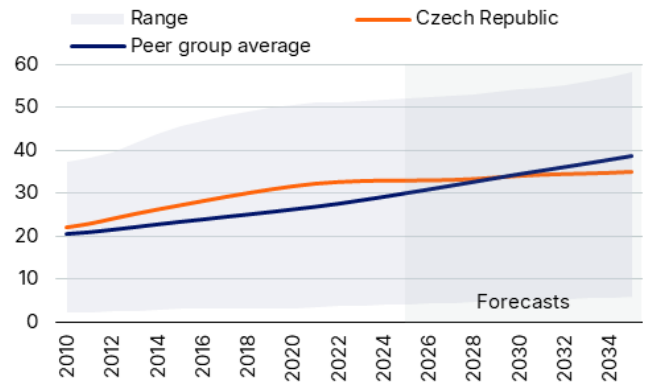
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Environmental factors	Weak	- 1/3	Meaningful transition risk; carbon-intensive economy as a transit economy with an elevated share of its output in manufacturing
	Social factors	Neutral	0	Adverse demographics resulting in a declining working-age population; elevated employment rates and moderate levels of income inequality
	Governance factors	Neutral	0	Robust institutions; moderate reform momentum

Figure 11: CO₂ emissions per GDP, mtCO₂e (2023)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

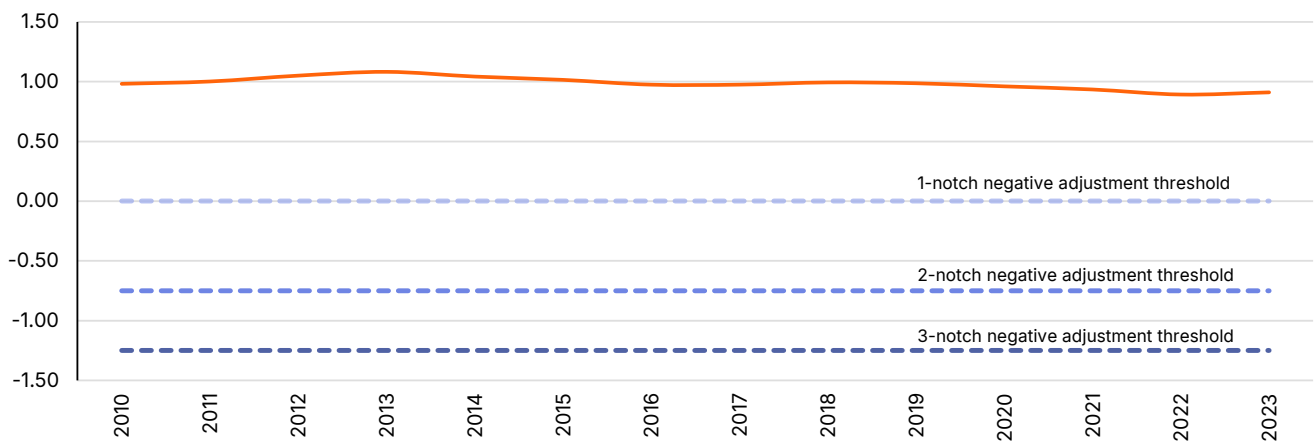
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Czech Republic, three-year moving average



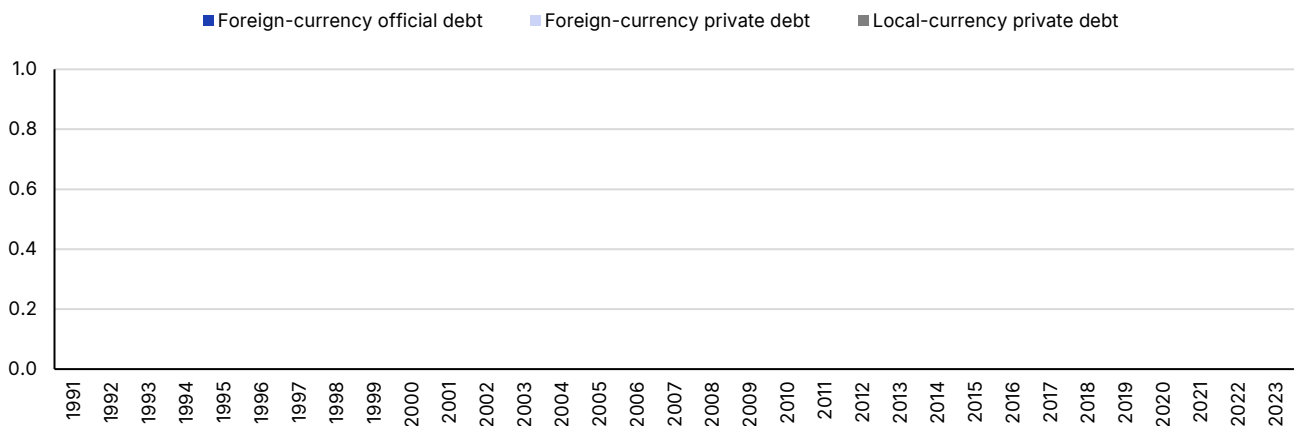
Source: WB, Scope Ratings

Additional considerations

No adjustment has been applied to the credit rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*		
Austria	Finland	Portugal
Belgium	France	Slovenia
Croatia	Japan	Spain
Cyprus	Lithuania	United Kingdom
Estonia	Malta	United States

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 1 April 2025	28.1

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	45.5	44.8	49.9	53.4	55.2	56.7
	Nominal GDP, USD bn	IMF	257	251	291	302	343	343
	Real growth, %	IMF	3.6	-5.3	4.0	2.8	-0.1	1.1
	CPI inflation, %	IMF	2.8	3.2	3.8	15.1	10.7	2.3
	Unemployment rate, %	WB	2.0	2.6	2.8	2.2	2.6	-
Public Finance	Public debt, % of GDP	IMF	29.6	36.9	40.7	42.5	42.4	43.5
	Net interest payment, % of government revenue	IMF	1.2	1.4	1.5	1.3	1.4	2.1
	Primary balance, % of GDP	IMF	0.8	-5.1	-4.4	-2.5	-3.3	-2.0
External Economic	Current-account balance, % of GDP	IMF	0.3	2.0	-2.7	-4.7	0.4	0.1
	Total reserves, months of imports	WB	9.1	11.3	9.3	6.8	7.1	-
	NIIP, % of GDP	IMF	-19.8	-17.4	-14.7	-20.9	-13.3	-
Financial Stability	NPL ratio, % of total loans	IMF	1.7	1.9	1.7	1.5	1.2	-
	Tier 1 ratio, % of risk-weighted assets	IMF	17.9	19.2	21.3	19.6	19.5	19.0
	Credit to the private sector, % of GDP	WB	49.4	52.0	52.0	48.6	48.0	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	198.7	192.2	194.9	191.0	174.4	-
	Income share of bottom 50%, %	WID	25.7	25.9	25.9	25.9	25.9	-
	Labour-force participation rate, %	WB	76.6	76.2	76.5	77.0	77.3	-
	Old-age dependency ratio, %	UN	30.8	31.6	32.2	32.6	32.8	32.9
	Composite governance indicators*	WB	0.9	0.9	1.0	1.1	1.1	-
	Political stability, index	WB	1.0	1.0	0.9	0.9	0.9	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodologies

[Sovereign Rating Methodology](#), January 2025

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