

Kingdom of Spain

This annex refers to the release of the rating action of 16 July 2021.

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bbb+
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Strong
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Neutral
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Weak
	Institutional and political risks	Neutral
QS adjustment (notches)		0
Additional considerations (notches)		0
Final rating		A- STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020	2021F	2022F
GDP per capita (USD '000s), EOP	26.5	28.2	30.4	29.6	27.1	31.0	33.2
Real GDP, % change	3.0	3.0	2.4	2.0	-10.8	6.0	6.0
Unemployment rate, %	19.6	17.2	15.3	14.1	15.5	16.0	15.0
CPI, % change	-0.2	2.0	1.7	0.7	-0.3	1.0	1.3
Policy rate, %, EOP	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
General government balance, % of GDP	-4.3	-3.0	-2.5	-2.9	-11.0	-8.0	-6.0
General government debt, % of GDP, EOP	99.2	98.6	97.4	95.5	120.0	119.0	116.5
Current account balance, % of GDP	3.2	2.8	1.9	2.1	0.7	1.0	1.9

Source: Macrobond, IMF, Bank of Spain, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

5y USD CDS spread (bps) as of 15 July 2021

32

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Spain	July 2021	Assessment	Rationale
Peers*	Portugal, Italy, Cyprus		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential, but improvements likely due to recovery plan
	Monetary policy framework	Strong	ECB is a highly credible and effective central bank; appropriate response to the 2020 global crisis; high weight in the GC's monetary policy decisions
	Macro-economic stability & sustainability	Neutral	Large and diversified economy; significant structural unemployment
Public finance risk	Fiscal policy framework	Neutral	Limited structural budgetary adjustments before the crisis; appropriate countercyclical response
	Debt sustainability	Neutral	Debt to remain elevated over medium term; low interest burden; contingent liability risks from Covid-19
	Debt profile & market access	Strong	Strong market access and solid investor base; safe debt composition with large central bank holdings
External economic risk	Current account resilience	Neutral	Tourism exports temporarily weakened; resilience in non-tourism and non-energy trade surplus
	External debt structure	Neutral	Elevated debt stock, with meaningful shares by the government and central bank
	Resilience to short-term shocks	Neutral	Euro area membership shields against short-term external shocks
Financial stability risk	Banking sector performance	Neutral	Banking-system capitalisation remains sound, but profitability pressures
	Banking sector oversight	Neutral	Effective oversight under European Banking Union authorities and the Bank of Spain
	Financial imbalances	Neutral	High private indebtedness; no sign of credit-fueled growth
ESG risk	Environmental risks	Neutral	Exposure to natural disasters; ambitious commitment to achieve carbon neutrality by 2050
	Social risks	Weak	Adverse demographic trends; high income inequality and risk of social exclusion
	Institutional and political risks	Neutral	Some reform momentum on labour market; pension reform under discussion; fragmented parliament

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.