

United Kingdom

Rating report

Rating rationale

Reserve-currency status, deep capital markets, strong institutions and an independent monetary policy: Despite recent heightened volatility in gilt markets, the UK continues to benefit significantly from its access to deep domestic capital markets, the City of London being one of the world’s leading financial centres, gilts’ status as a global safe asset and sterling’s status as a primary global reserve currency. Furthermore, the UK benefits from robust financial, economic and monetary governance frameworks – including an independent monetary policy. This strong institutional support allows for swift responses during financial-market instability, as demonstrated in September 2022 during an episode of market turmoil involving pension funds.

Robust structure of the sovereign debt: The government’s debt portfolio has an exceptionally-long average debt maturity of 14 years, with the Bank of England furthermore still holding around 24% of outstanding gilts.

Large, wealthy and diversified economy: The UK economy proved resilient during the Covid-19 economic crisis, with output having again reached pre-pandemic levels by late 2021. While the economic outlook has recently been fragile, comparatively high wealth and a highly diversified economic base remain significant factors underscoring economic resilience. GDP growth stayed subdued in 2024, estimated at 1.1% and we expect it to remain around 1% in 2025 before 1.3% in 2026.

Rating challenges include: i) elevated and rising public debt, and an elevated budget deficit; ii) heightened financing costs and recent increased volatility in gilt markets; iii) a weak external sector given recurrent current-account deficits; and iv) remaining uncertainties surrounding post-Brexit UK-EU trading relations.

Figure 1: The United Kingdom’s sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
	Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk	35%	aaa	GBP	United Kingdom	2/3	AA
Public finance risk	20%	bb			0	
External economic risk	10%	b			- 1/3	
Financial stability risk	10%	aaa			2/3	
ESG risk	Environmental factors	5%	[+1]	[-0]	0	
	Social factors	7.5%			0	
	Governance factors	12.5%	aaa		0	
Sovereign Quantitative Model	aa-				+1	
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.

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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Credit strengths and challenges

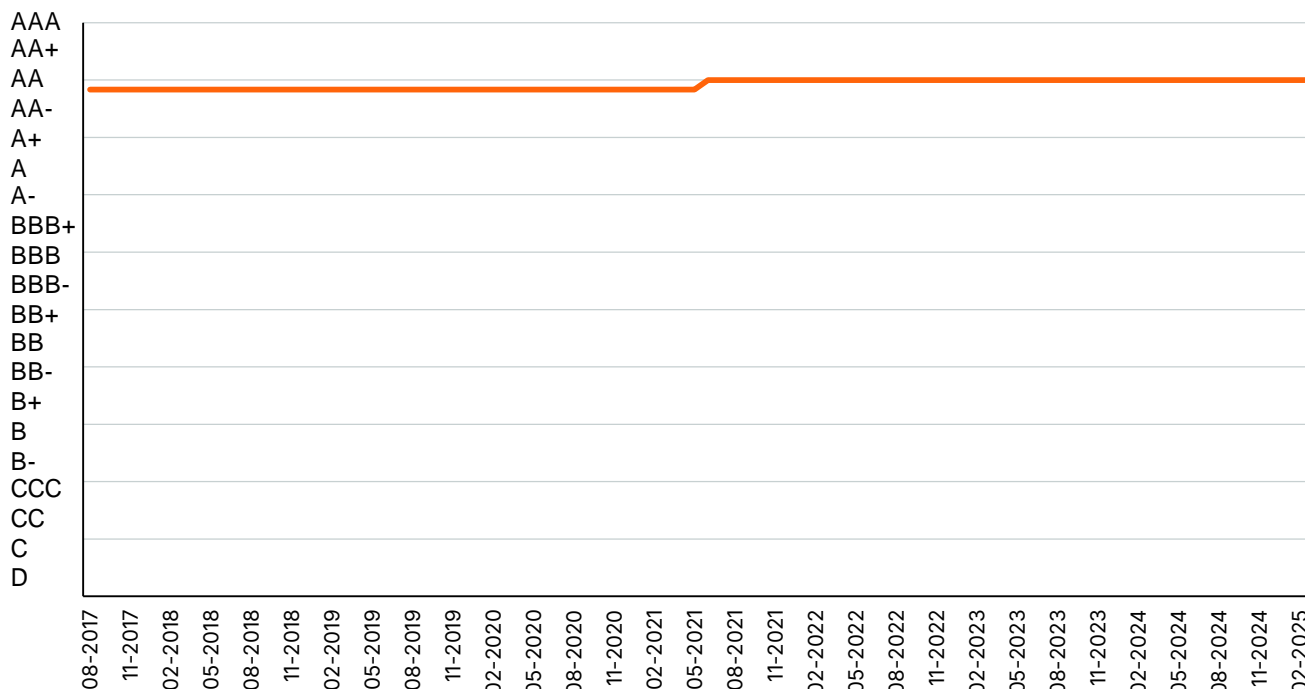
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Reserve-currency status, gilts as a global safe asset, deep capital markets and an independent monetary policy Strong institutional framework The robust structure of the sovereign debt A large, wealthy and highly diversified economy 	<ul style="list-style-type: none"> Elevated public debt and a challenging fiscal and economic outlook A weak external position and recurrent current-account deficits Prolonged uncertainties surrounding the post-Brexit UK-EU trading relationship

Outlook and rating triggers

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

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> A significant improvement of the fiscal outlook including a stabilisation of the public debt ratio through the cycle A significant reduction in external-sector vulnerabilities 	<ul style="list-style-type: none"> Challenges for the UK’s status as a global safe haven and/or the attenuation of sterling’s status as a reserve currency Protracted budgetary deterioration resulting in weakened public debt sustainability Medium-run growth outlook weakening significantly

Figure 2: Rating history



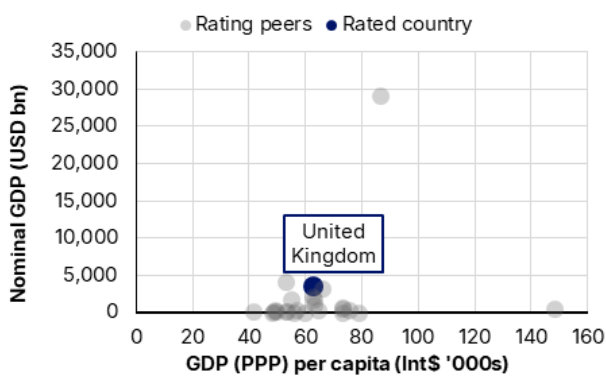
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of the United Kingdom's Domestic Economic Risk

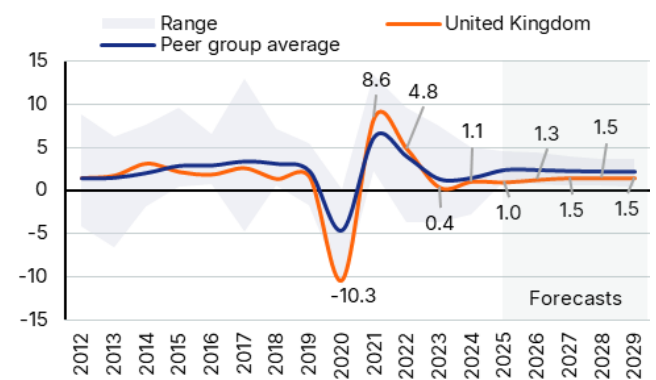
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Moderate growth potential compared against that of economies of sovereign peers
	Monetary policy framework	Strong	+1/3	One of the world's leading central banks, alongside an independent monetary policy
	Macroeconomic stability and sustainability	Strong	+1/3	Diversified economy and a flexible labour market; strong institutional framework has supported quick recoveries from recent economic and/or financial crises

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



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

Figure 4: Real GDP growth, %



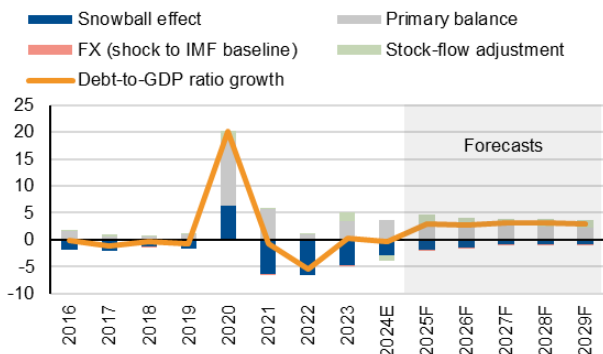
Source: IMF WEO, Office for National Statistics (UK), Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of the United Kingdom's Public Finance Risk

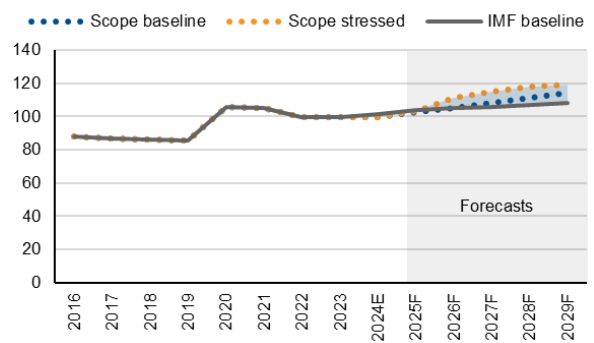
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Fiscal policy framework	Weak	-1/3	Further revisions of the fiscal framework could weaken future fiscal discipline; rolling targets over a five-year horizon, limited enforceability and low hurdles for amendments of the framework
	Long-term debt trajectory	Neutral	0	Public debt ratio expected to gradually increase, but still in line with the levels of most sovereign peers
	Debt profile and market access	Strong	+1/3	Excellent government market access, very-long average public debt maturity, significant government debt held by the central bank, but a high share of index-linked debt and increasing interest payments

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

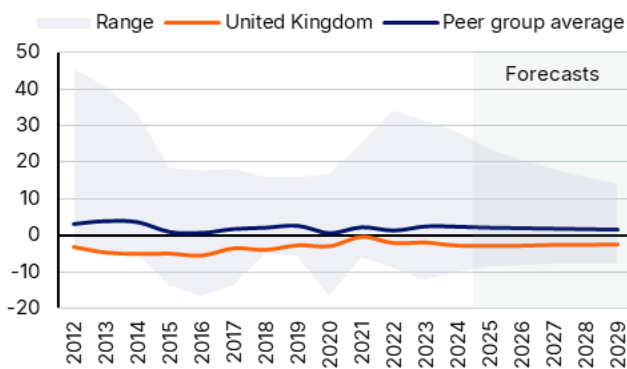
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of the United Kingdom's External Economic Risk

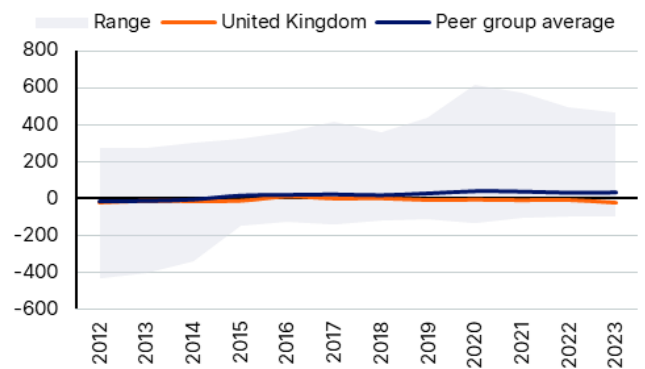
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b	Current account resilience	Neutral	0	An expectation of persistent current-account deficits
	External debt structure	Weak	-1/3	Elevated external debt, with a high foreign-currency composition
	Resilience to short-term external shocks	Neutral	0	Sterling as a reserve currency protects against external-sector crises; a track record of effective institutional responses to economic crises

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



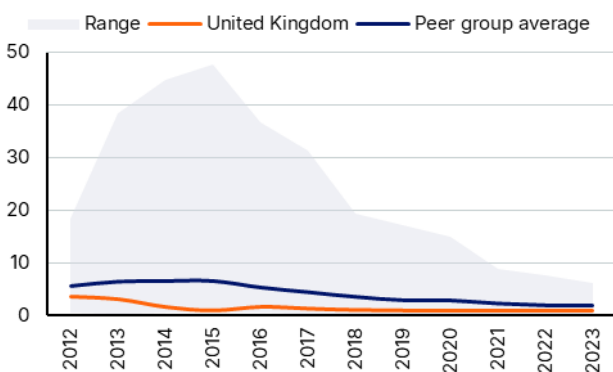
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of the United Kingdom's Financial Stability Risk

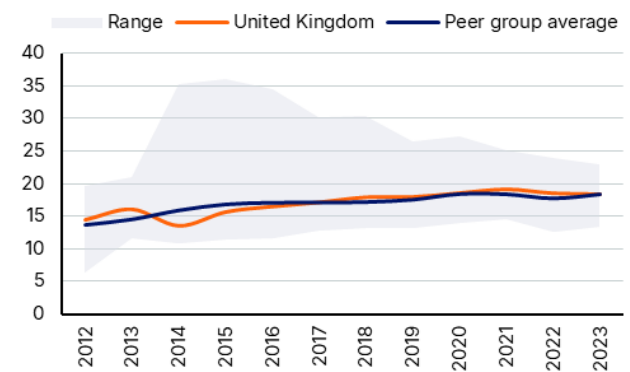
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	Banking-system capitalisation remains sound, low non-performing loans (NPLs), strong profitability
	Financial sector oversight and governance	Strong	+1/3	Sophisticated financial-regulatory system and strong macro-prudential governance institutions
	Financial imbalances	Neutral	0	Elevated private-debt levels, high asset valuations and a higher cost of borrowing for longer

Figure 9: NPLs, % of total loans



Source: World Bank (WB), Scope Ratings

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



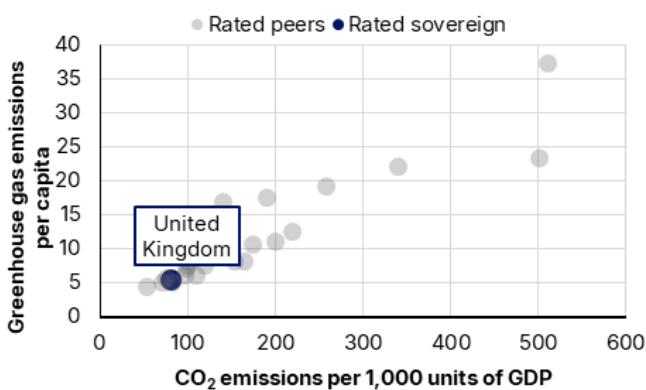
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope’s assessments of the United Kingdom’s ESG Risk

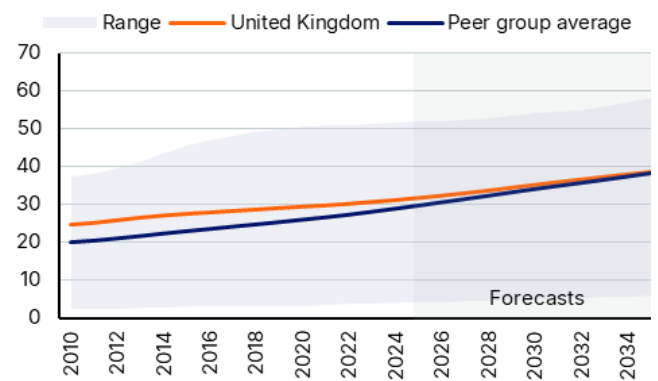
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Neutral	0	Ambitious commitments to carbon neutrality by 2050; low carbon intensity compared against the economies of sovereign peers; a weakening of environmental protections since Brexit
	Social factors	Neutral	0	Substantial social safety nets; challenges include high income inequality, elevated poverty rates compared against economies of sovereign peers and the risk of social exclusion
	Governance factors	Neutral	0	Resilient institutional framework, but ongoing Brexit-associated challenges

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



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

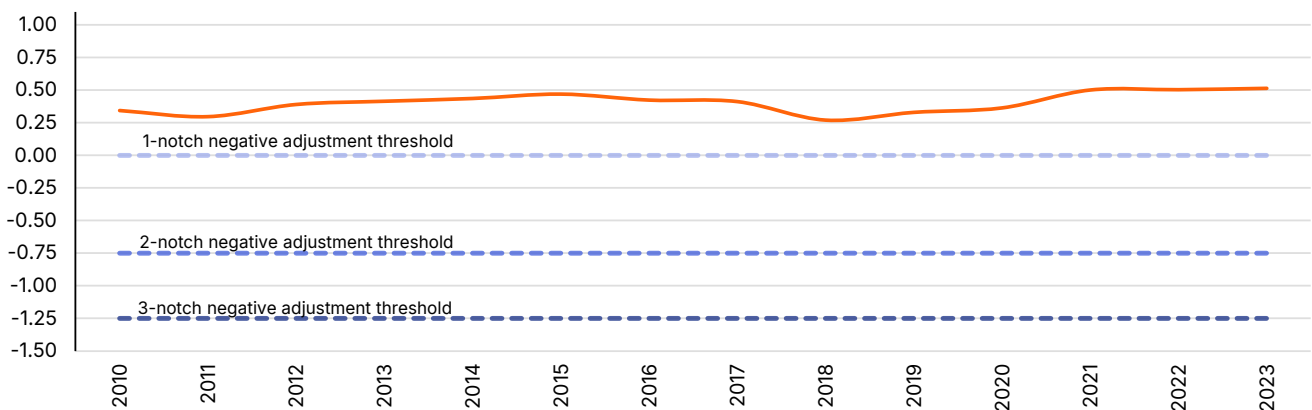
IMF SDR basket and Scope reserve-currency adjustment

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, United Kingdom, three-year moving average



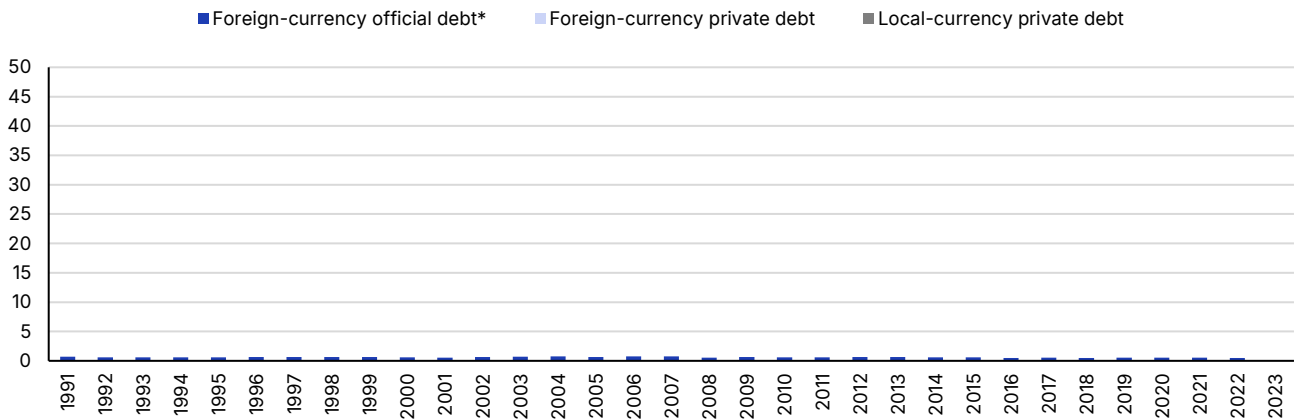
Source: WB, Scope Ratings

Additional considerations

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

Appendix 1. Sovereign default history

Sovereign default history, USD bn



*Arrears of the United Kingdom are due for repayment to "other official creditors".
 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	Japan
Belgium	Lithuania
Croatia	Malta
Cyprus	Portugal
Czech Republic	Slovenia
Estonia	Spain
Finland	United States
France	

*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 25 March 2025	20.8

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	2024E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	49.9	48.0	52.7	58.7	60.7	62.6
	Nominal GDP, USD bn	IMF	2,853	2,699	3,144	3,125	3,382	3,588
	Real growth, %	IMF	1.6	-10.3	8.6	4.8	0.3	1.1
	CPI inflation, %	IMF	1.8	0.9	2.6	9.1	7.3	2.6
	Unemployment rate, %	Office for National Statistics (UK) – ONS	3.9	4.7	4.6	3.9	4.2	4.4
Public Finance	Public debt, % of GDP	IMF	85.7	105.8	105.1	99.6	100.0	101.8
	Net interest payment, % of government revenue	IMF	4.0	3.1	5.8	9.4	6.4	5.7
	Primary balance, % of GDP	IMF	-1.0	-12.0	-5.6	-1.0	-3.5	-2.0
External Economic	Current-account balance, % of GDP	ONS	-2.7	-2.9	-0.4	-2.1	-2.2	
	Total reserves, months of imports	WB	1.7	2.1	1.9	1.5	1.3	-
	NIIP, % of GDP	IMF	-11.3	-9.7	-12.1	-11.4	-26.5	-
Financial Stability	NPL ratio, % of total loans	IMF	1.0	1.0	1.0	0.9	1.0	-
	Tier 1 ratio, % of risk-weighted assets	IMF	17.7	17.2	18.4	17.3	18.3	18.1
	Credit to the private sector, % of GDP	WB	132.6	147.0	138.4	128.8	119.4	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	98.3	97.9	95.9	88.6	81.7	-
	Income share of bottom 50%, %	WID	20.4	20.1	20.1	20.1	20.1	-
	Labour-force participation rate, %	ONS	79.2	78.8	78.4	78.1	78.3	78.1
	Old-age dependency ratio, %	UN	29.1	29.5	29.8	30.2	30.7	31.2
	Composite governance indicators*	WB	1.5	1.4	1.4	1.4	1.4	-
	Political stability, index	WB	0.3	0.4	0.5	0.5	0.5	-

*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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