

## Portuguese Republic

This annex refers to the release of the monitoring note of 22 January 2021.

### Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

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	Neutral
	Macro-economic stability and sustainability	Weak
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	Strong
QS adjustment (notches)		0
Additional considerations (notches)		0
Final rating		BBB+ STA

### Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	19,986	21,483	23,472	23,132	21,608	25,097	26,964
Real GDP, % change	2.0	3.5	2.6	2.2	-10.0	6.5	4.8
CPI, % change	0.6	1.6	1.2	0.3	0.0	1.1	1.2
General government balance, % of GDP	-1.9	-3.0	-0.4	0.2	-8.4	-2.7	-1.6
General government debt, % of GDP	131.5	126.1	122.0	117.7	137.2	130.0	124.1
Current account balance, % of GDP	1.2	1.3	0.4	-0.1	-3.1	-3.5	-3.4
Gross external debt, % of GDP	205.4	198.1	192.9	190.6	-	-	-

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

### Annex III: Economic development and default indicators

IMF Development Classification<sup>2</sup>

AE

5y USD CDS spread (bps) as of 20 January 2021

36.6

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)

<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Portugal	January 2021	Assessment	Rationale
Peers*	Spain, Italy, Cyprus		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential in line with peers
	Monetary policy framework	Neutral	Highly credible and effective central bank; appropriate response to the 2020 global crisis
	Macro-economic stability & sustainability	Weak	Small economic base with limited diversification; moderate structural unemployment
Public finance risk	Fiscal policy framework	Neutral	Track record of prudent fiscal policy, including elevated primary surpluses prior to Covid-19 shock
	Debt sustainability	Neutral	Debt expected on a downward trajectory after the shock, although to remain elevated longer term
	Debt profile & market access	Strong	Strong market access, high cash buffer and safe debt composition given official sector holdings
External economic risk	Current account resilience	Neutral	Dependence on tourism sector may temporarily weaken external trade
	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 declining profitability
	Banking sector oversight	Neutral	Effective oversight under European Banking Union authorities and the Bank of Portugal
	Financial imbalances	Neutral	Low savings and high but declining private indebtedness; challenges to private sector debt service
ESG risk	Environmental risks	Neutral	Exposure to natural disasters, ambitious commitment to achieve carbon neutrality by 2050
	Social risks	Weak	Adverse demographics, income inequality and risk of social exclusion
	Institutional and political risks	Strong	Resilient institutional framework; comparatively stable and reform-oriented political environment

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