

People's Republic of China

This annex refers to the release of the monitoring note of 29 January 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	Strong
	Monetary policy framework	Strong
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Weak
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Strong
	External debt structure	Strong
	Resilience to short-term shocks	Strong
20%	Banking sector performance	Neutral
	Banking sector oversight	Strong
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Neutral
QS adjustment (notches)		2
Additional considerations (notches)		0
Final rating		A+ NEG

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	8.1	8.8	9.9	10.3	10.6	11.7	12.7
Real GDP, % change	6.8	6.9	6.8	6.1	2.3	9.9	-
CPI, % change	2.0	1.6	2.1	2.9	2.9	2.7	2.6
General government balance, % of GDP	-3.7	-3.8	-4.7	-6.3	-11.9	-6.6	-6.5
General government debt, % of GDP	44.3	46.4	48.8	52.6	66.3	69.2	74.0
Current account balance, % of GDP	1.8	1.6	0.2	1.0	1.3	0.7	0.6
Gross external debt, % of GDP	11.6	12.2	13.2	13.0	-	-	-

Source: IMF, State Administration of Foreign Exchange China, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

5y USD CDS spread (bps) as of 29 January 2021

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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

China	January 2021	Assessment	Analytical rationale
Peers*	Cyprus, France, Italy, Portugal, Slovakia, Spain, Bulgaria, Hungary, Romania, Russia		
Domestic economic risk	Growth potential	Strong	Although structurally declining, still-high growth potential
	Monetary policy framework	Strong	Effective monetary and exchange-rate policy, financial-stability concentration, independent monetary policy
	Macro-economic stability & sustainability	Neutral	Highly diversified and competitive economy, labour-market rigidities
Public finance risk	Fiscal policy framework	Weak	Significant structural deficits, wider augmented budget deficits with inclusion of off-balance-sheet spending
	Debt sustainability	Neutral	Rising public-debt ratio, significant off-balance-sheet debt, but low explicit central-government debt
	Debt profile & market access	Strong	Significant government financing needs, most issuance denominated in local currency, significant government assets, growing domestic bond market
External economic risk	Current account resilience	Strong	Diversified and competitive export base, current-account surpluses, risk from periods of capital outflow
	External debt structure	Strong	Very low external debt, strong liquid external assets of the public and financial sectors
	Resilience to short-term shocks	Strong	Sizeable foreign-exchange reserves, rising international use of the renminbi and investment in Chinese assets
Financial stability risk	Banking sector performance	Neutral	Low (reported) non-performing loans, strengthened bank capital adequacy
	Banking sector oversight	Strong	Significant commitment and ability to counteract financial-system risk, improving financial-supervisory regime
	Financial imbalances	Weak	Rising non-financial sector debt, record defaults in 2020, but signs of slowing in credit growth
ESG risk	Environmental risks	Neutral	Significant transition risks in greening the economy but substantive progress made and ambitious objectives
	Social risks	Neutral	High income and urban-rural inequality, declining working-age population, but strong educational attainment, effective Covid-19 response
	Institutional and political risks	Neutral	Improved government effectiveness, longer-term governance risk with President Xi's power consolidation

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