

Czech Republic

This annex refers to the release of monitoring note of 30 July 2021

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

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

Annex II: Selected indicators

	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	20.7	23.5	23.5	22.6	25.7	27.6
Real GDP, % change	5.2	3.2	2.3	-5.6	3.8	4.5
Unemployment rate, %	2.9	2.2	2.0	2.6	3.7	3.5
HICP, % change	2.4	2.0	2.6	3.3	2.7	2.2
Policy rate, %, EOP*	0.50	1.75	2.00	0.25	-	-
Fiscal balance, % of GDP	1.5	0.9	0.3	-6.2	-8.0	-5.5
Government debt, % of GDP, EOP	34.2	32.1	30.3	38.1	44.0	47.0
Current account balance, % of GDP	1.5	0.4	-0.3	3.5	0.9	0.1

Yearly averages except where stated otherwise; *Shown for the CNB base rate

Source: Macrobond, IMF, Czech National Bank, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

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

35

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

Czech Republic	July 2021	Assessment	Analytical rationale
Peers*	Austria, Belgium, Estonia, Lithuania, Malta, Slovenia		
Domestic economic risk	Growth potential	Neutral	Robust economic performance; slow labor productivity growth
	Monetary policy framework	Neutral	Credible central bank; small local currency bond market limits effectiveness of monetary policy
	Macro-economic stability & sustainability	Weak	Moderate diversification; reliance on external markets and persistent labor shortages
Public finance risk	Fiscal policy framework	Strong	Prudent fiscal policy underpinned by credible budgetary framework; fiscal space for a sizeable policy stimulus
	Debt sustainability	Neutral	Moderate debt burden and manageable financing needs also under adverse scenarios; rising debt levels over the medium-term
	Debt profile & market access	Neutral	Substantial liquid assets in form of public sector deposits; decreasing share of foreign denominated debt
External economic risk	Current account resilience	Neutral	Freely floating currency and competitive industrial base support medium-term current account balance
	External debt structure	Strong	External liabilities mostly consist of direct investment and equity rather than debt-creating flows
	Resilience to short-term shocks	Weak	Small, open economy; reliance on external demand and foreign direct investment
Financial stability risk	Banking sector performance	Neutral	High capitalisation levels; declining profitability from a worsening operating environment
	Banking sector oversight	Neutral	Effective supervisory control; timely and comprehensive regulatory measures
	Financial imbalances	Neutral	Moderate household and private sector indebtedness; low savings
ESG risks	Environmental risks	Weak	Meaningful transition risks; carbon-intensive economy as a transit country with a high share of manufacturing
	Social risks	Neutral	Adverse demographics resulting in declining working-age population; high employment rates
	Institutional and political risks	Neutral	Robust institutions; moderate reform momentum

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