People's Republic of China

Rating report

Rating rationale

Very large and well-diversified economy. China's credit ratings are underpinned by a very large, well-diversified and competitive economy. Although we estimate the country's medium-run growth potential at 4.2% a year, indicating a continued gradual easing of the rapid growth in recent decades, near-term growth expectations are above trend (5.0% for 2025 and 4.7% for 2026, after 5.0% in 2024).

External-sector resilience. The country's significant external-sector resilience is underpinned by elevated foreign-exchange reserves exceeding USD 3trn, low external debt outstanding, sound and growing current-account surpluses, alongside the gradual internationalisation of the renminbi.

Unique capacity of government for adoption of reform. China's central government exerts a significant degree of control over many economic sectors. This can support the speed and efficacy of targeted reforms, including the capacity for extraordinary macro-prudential policy responses. Although this increases the unique capacity of the State to bring about fundamental reforms when tackling high and rising degrees of leverage, it can also have credit-negative implications if unchecked powers result in the lower quality of governance and policy making over time. Nevertheless, controls over the economy enhance the implicit resources of the sovereign under stressed financial scenarios – decreasing sovereign credit risk.

Rating challenges: i) the wide structural public sector deficit and an increasing general government debt stock, including rising levels of explicit sovereign debt as contingent liabilities gradually transition onto the central-government balance sheet; ii) financial imbalances, such as rising levels of total non-financial sector debt since 2008; iii) inflated growth objectives and deflation risk; and iv) weakening demographics including a declining population.

Figure 1: China's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aa	CNY [+1]	China [-1]	1	A
Public finance risk		20%	b			-1/3	
External economic risk		10%	aaa			1	
Financial stability risk		10%	bbb+			0	
ESG risk	Environmental factors	5%	ccc			0	
	Social factors	7.5%	bb			0	
	Governance factors	12.5%	b-			0	
Sovereign Quantitative Model* **		**bbb+**				**+2**	
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 Rating Committee approved an indicative SQM rating of 'bbb+'
****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

A/Stable

Senior unsecured debt/Outlook

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

Local currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt/Outlook

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

Lead Analyst

Carlo Capuano
+49 174 7446891
c.capuano@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Credit strengths and challenges

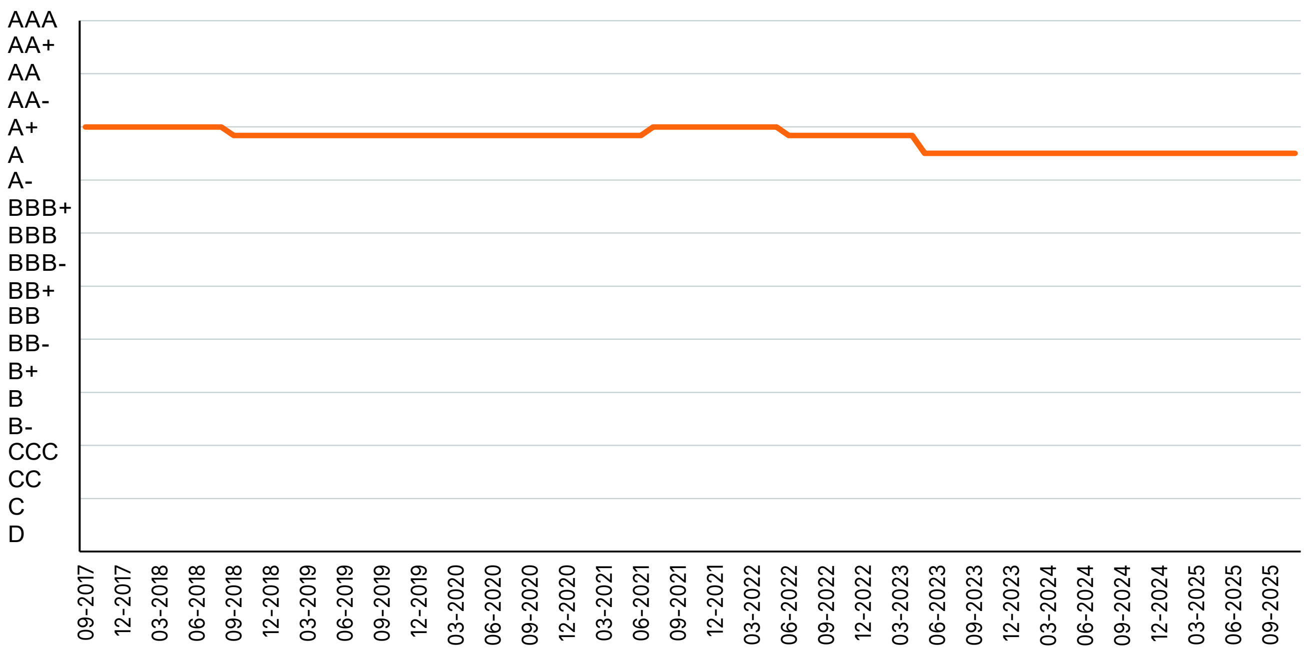
Credit strengths	Credit challenges
• A very large and diversified economy with comparatively strong sustainable rates of economic growth • Significant external-sector resilience, the largest stock of foreign-exchange reserves globally, and rises of renminbi and Chinese securities as a reserve currency and safe asset • Government controls across many sectors facilitates the capacity for targeted reform and enhances the implicit resources of the State under stressed financial conditions • The low levels of explicit sovereign debt	• Significant public sector deficits and rising levels of general and central government debt • Financial system imbalances, considering high levels of economy-wide non-financial sector debt for an emerging economy, corporate defaults and the property-sector crisis • Overly high growth objectives and deflation risk • Adverse demographics and a slowly declining population

Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
• The renminbi and Chinese government bonds make substantive gains as a reserve currency and global safe asset, respectively • Public finances strengthen, significantly slowing the rising trajectory of general government debt • Economic and financial reforms re-anchored financial stability and sustainable long-run growth	• Continued weak budgetary outlook and continued rapid rises of general government debt • The materialisation of significant financial and/or economic crisis, impairing financial-system stability • The material weakening of external-sector resilience or rises of geopolitical risk

Figure 2: Rating history



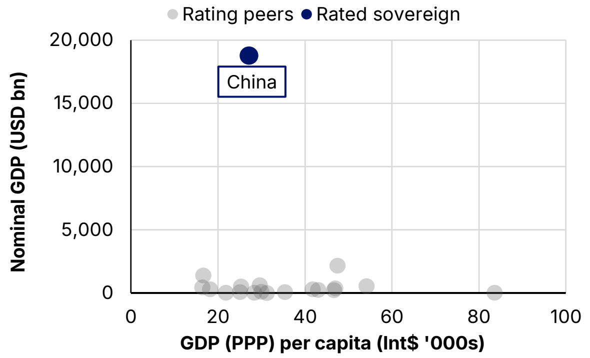
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of China's *Domestic Economic Risk*

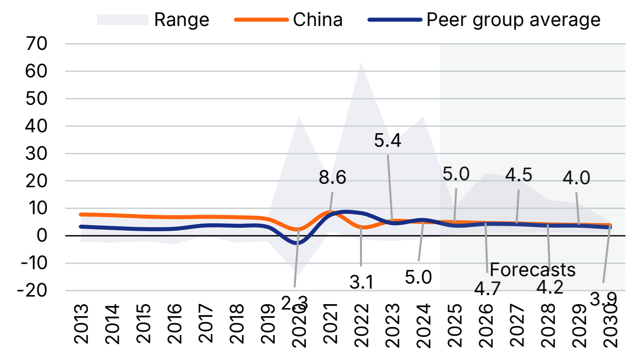
SQM[1] indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential and outlook	Strong	1/3	Growth potential remains elevated compared to sovereign peers despite gradually moderating
	Monetary policy framework	Strong	1/3	Effective monetary policy and exchange-rate policies, with emphasis on maintenance of financial stability; innovations of monetary policies although inflation remains well below target
	Macroeconomic stability and sustainability	Strong	1/3	Largest economy globally by purchasing power definitions; highly diversified and competitive economy; labour-market rigidities

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



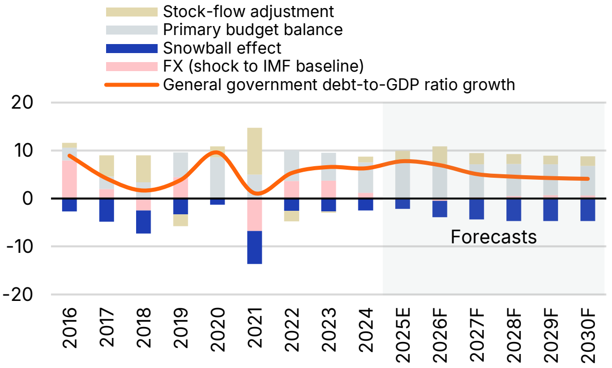
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of China's *Public Finance Risk*

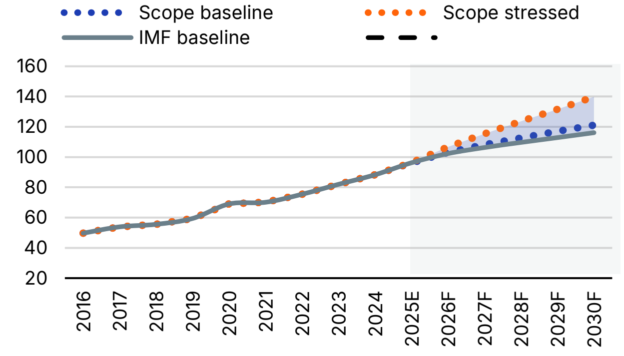
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b	Fiscal policy framework	Weak	- 1/3	Budgetary dynamics hindered by structural social spending and infrastructure-spending requirements to achieve inflated annual growth objectives; limited enforceable fiscal regulations restricting spending
	Long-term debt trajectory	Weak	- 1/3	General government debt levels elevated and further rises anticipated
	Debt profile and market access	Strong	1/3	General government debt predominantly at the local level; moderate average maturity of treasuries; significant cash cushions; deep domestic capital markets; unique sovereign resources under stressed scenarios given the controls over the economy

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



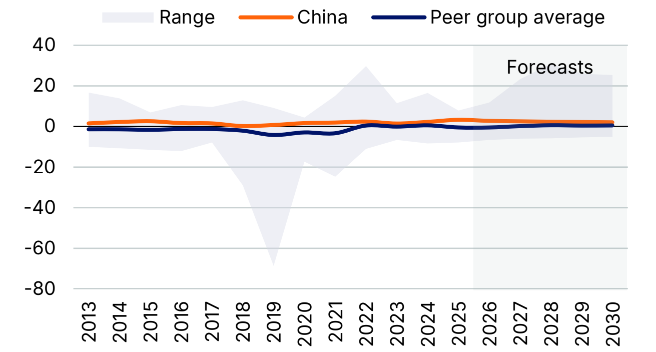
Source: IMF WEO, Scope Ratings forecasts

External economic risk

Overview of Scope's assessments of China's *External Economic Risk*

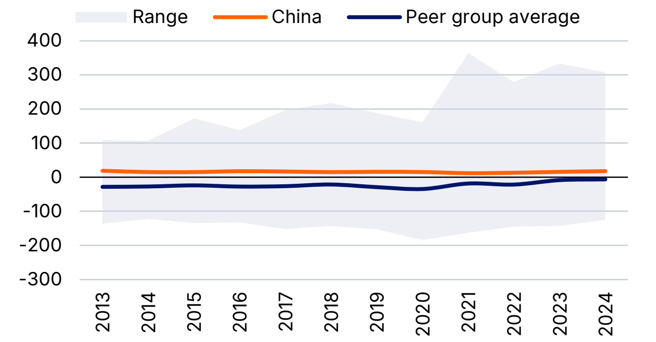
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Strong	1/3	Sound and growing current account surpluses; significant inward foreign direct investment
	External debt structure	Strong	1/3	Very limited foreign debt at 14% of GDP due to the financial system historically being closed
	Resilience to short-term external shocks	Strong	1/3	The largest stock of foreign-exchange reserves globally at USD 3.2trn, strongly anchoring external-sector resilience

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



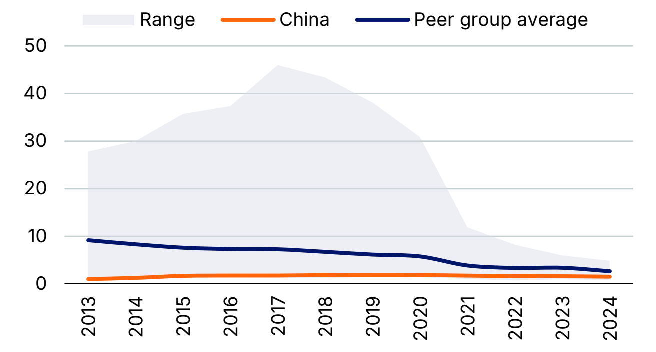
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of China's *Financial Stability Risk*

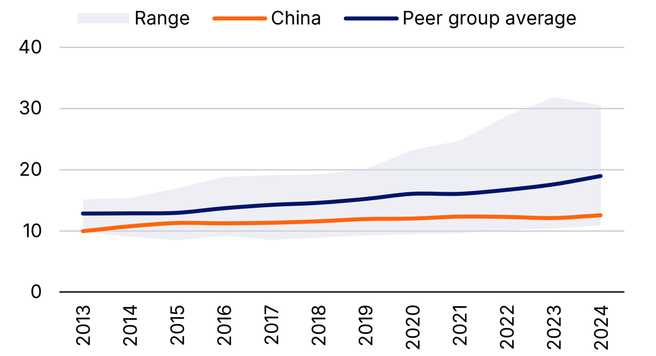
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Banking sector performance	Neutral	0	Moderately capitalised banking system; low levels of reported NPLs
	Financial sector oversight and governance	Strong	1/3	Effective supervisory; unparalleled capacity for fast and comprehensive regulatory measures addressing financial stability risks
	Financial imbalances	Weak	- 1/3	Elevated and rising economy-wide debt; property sector crisis; corporate defaults; elevated although declining foreign-currency exposures of the banking system

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

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



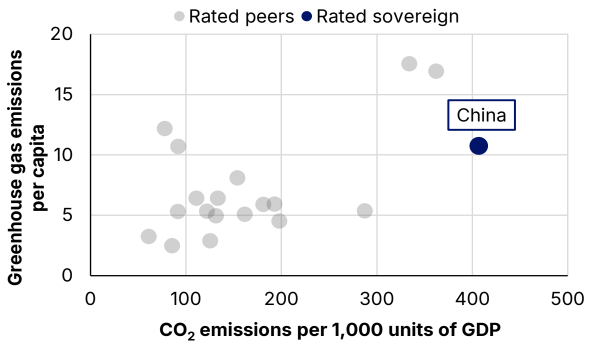
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of China's *ESG Risk*

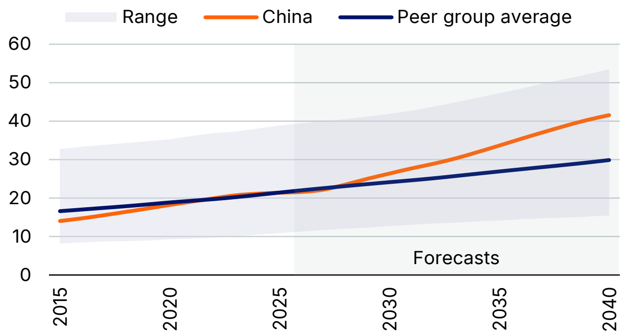
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b	Environmental factors	Neutral	0	Elevated carbon intensity of the economy; highest emissions globally but leads the world on wind and solar
	Social factors	Neutral	0	Elevated income inequalities, slow demographic decline, but elite education results and comparatively long healthy life expectancy
	Governance factors	Neutral	0	China's central government exerts a significant degree of control over the domestic economy, supporting fast reform, but one-man rule may result in the lower quality of governance and risk more-frequent policy mistakes if left unchecked long run

Figure 11: CO_2 emissions per GDP, $mtCO_2e$



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

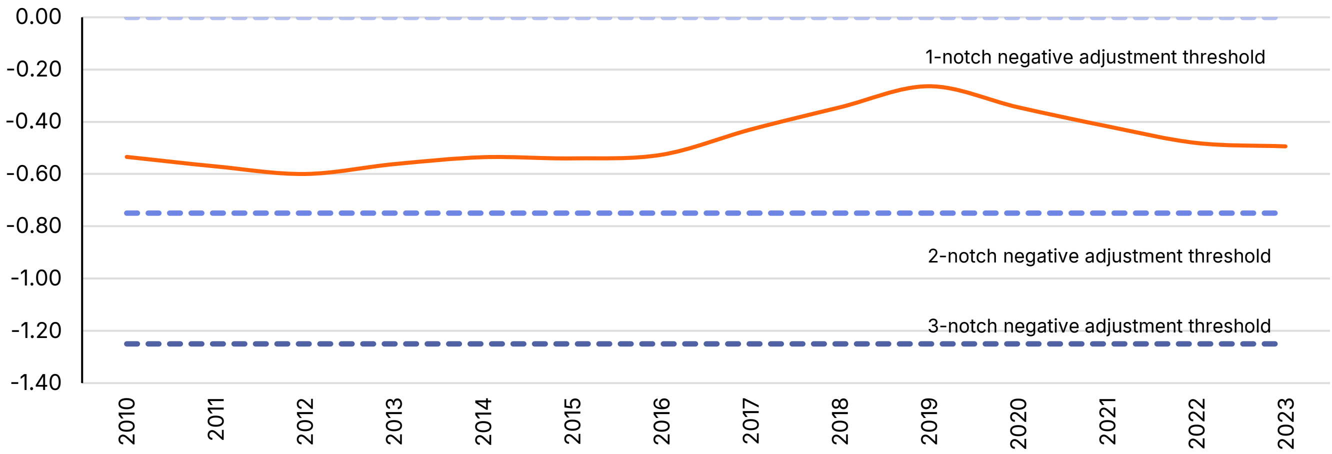
IMF SDR basket and Scope reserve-currency adjustment

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, China, 3-year moving average



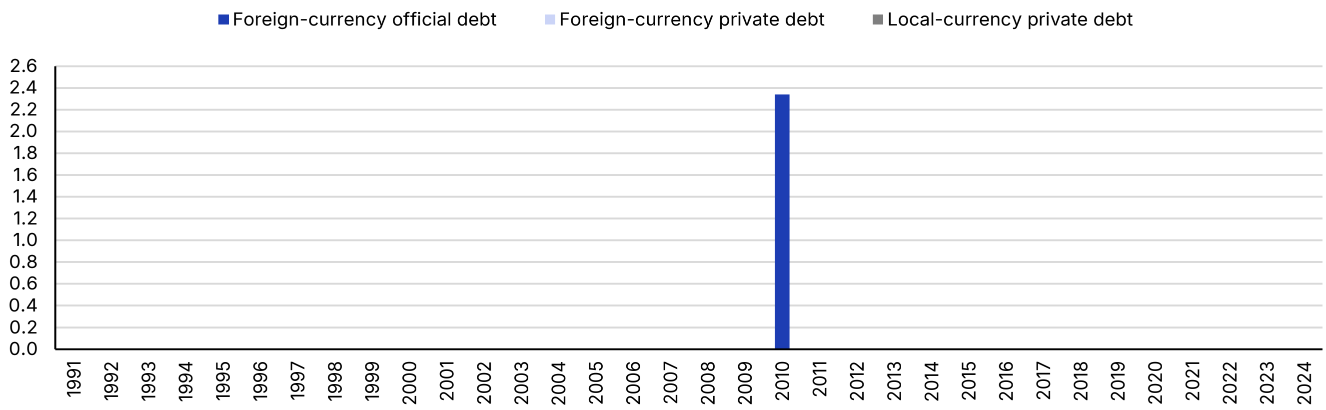
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD m



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*
Georgia
Greece
Hungary
Romania

*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	Emerging market and developing economy
5y USD CDS spread (bp) as of 17 November 2025	46

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	2024
Domestic Economic	**GDP per capita (PPP)**, Int$ '000s	IMF	17.6	18.4	20.8	23.0	25.2	27.1
	Nominal GDP, USD bn	IMF	14,572	15,103	18,191	18,308	18,270	18,750
	Real growth, %	IMF	6.1	2.3	8.6	3.1	5.4	5.0
	CPI inflation, %	IMF	2.9	2.5	0.9	2.0	0.2	0.2
	Unemployment rate, %	WB	5.2	5.6	5.1	-	-	-
Public Finance	**Public debt**, % of GDP	IMF	59.4	69.0	70.1	75.5	82.0	88.3
	Net interest payment, % of government revenue	IMF	3.0	3.7	3.4	3.6	3.5	3.7
	Primary balance, % of GDP	IMF	-5.2	-8.6	-5.0	-6.4	-5.8	-6.4
External Economic	**Current-account balance**, % of GDP	IMF	0.7	1.6	1.9	2.4	1.4	2.3
	Total reserves, months of imports	WB	13.8	14.7	11.6	11.1	11.6	11.2
	NIIP, % of GDP	IMF	15.8	15.1	12.0	13.2	15.6	17.6
Financial Stability	**NPL ratio**, % of total loans	IMF	1.9	1.8	1.7	1.6	1.6	1.5
	Tier 1 ratio, % of risk-weighted assets	IMF	11.5	11.9	11.9	12.2	12.0	12.3
	Credit to the private sector, % of GDP	WB	162.2	179.1	173.6	181.8	189.6	194.2
ESG	**CO_2 per EUR 1,000 of GDP**, $mtCO_2e$	EC	445.9	441.2	426.4	412.3	406.9	390.5
	Income share of bottom 50%, %	WID	14.2	14.0	14.0	13.7	13.7	-
	Labour-force participation rate, %	WB	75.4	74.3	75.9	74.7	75.0	74.7
	Old-age dependency ratio, %	UN	17.3	18.2	19.1	19.9	20.7	21.2
	Composite governance indicators*	WB	-0.4	-0.3	-0.2	-0.3	-0.2	-
	Political stability, index	WB	-0.3	-0.3	-0.4	-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.

Lead Analyst

Carlo Capuano
+49 174 7446891
c.capuano@scoperatings.com

Associate Analyst

Constance Anselmini
+49 69 667738909
c.anselmini@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

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Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com