

United Kingdom

Rating report

Rating rationale

Reserve-currency status and strong institutions: Despite a record of heightened volatility in gilt markets, the United Kingdom continues to benefit significantly from sterling's status as a primary global reserve currency, gilts' status as a global safe asset, and its access to deep domestic capital markets. Furthermore, the United Kingdom benefits from robust financial, economic and monetary governance frameworks, including an independent central bank. This strong institutional support allows for swift responses in case of financial-market instability, as demonstrated in September 2022 during an episode of market turmoil, and supports the government's funding flexibility.

Robust structure of sovereign debt: The government's debt portfolio has an exceptionally-long average debt maturity of 14 years, with the Bank of England furthermore holding 24% of outstanding gilts as of end-September 2024. However, unwinding of the Asset Purchase Facility weighs on funding conditions, alongside high public debt, high scrutiny on enhanced fiscal rules, and heightened global uncertainties.

Large, wealthy and diversified economy: The United Kingdom's 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 subdued (0.3% QoQ in Q2 2025, after 0.7% in Q1), comparatively high wealth and a highly diversified economic base underscore economic resilience. Real GDP growth is projected at 1.2% in 2025 and 2026, and around 1.5% by 2030.

Rating challenges include: i) an elevated and increasing government debt, and an elevated budget deficit; ii) heightened financing costs and a record of volatility in gilt markets; iii) a weak external sector given recurrent current-account deficits; and iv) remaining uncertainties surrounding post-Brexit UK-EU trade 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%	aa-	[+1]	[-0]	0	
	Social factors	7.5%	b+			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.

****The Rating Committee approved an indicative rating of 'aa-'.

For details, please see Scope's [Sovereign Rating Methodology](#).

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

- Reserve-currency status, gilts as a global safe asset, deep capital markets and an independent monetary policy
- Strong institutional framework
- Robust structure of sovereign debt
- A large, wealthy and highly diversified economy

Credit challenges

- 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 reflects the view that risks for the ratings are balanced.

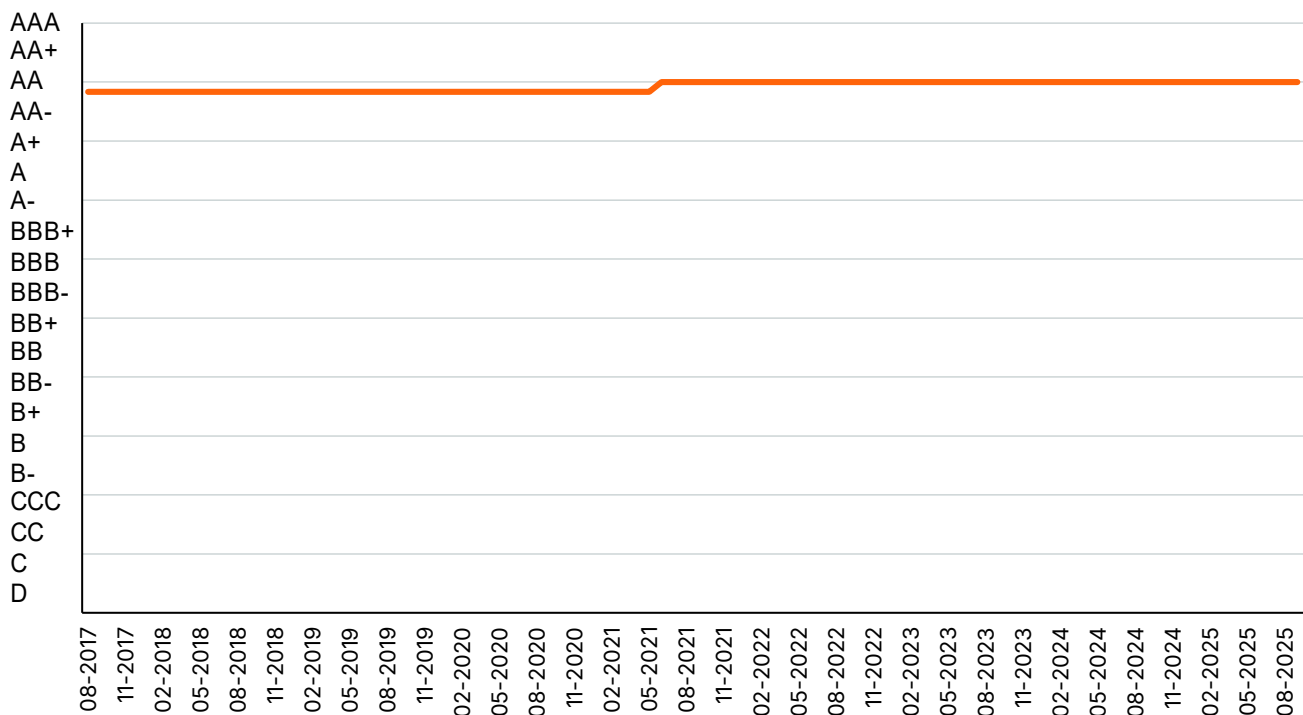
Positive rating-change drivers

- Stronger fiscal outlook improves the trajectory of government debt-to-GDP
- Growth outlook improved significantly
- External vulnerabilities were curtailed significantly

Negative rating-change drivers

- Weaker fiscal outlook due to, for example, delays in budgetary reforms or worsening funding conditions
- Growth outlook weakened significantly
- Sterling's status as a global reserve currency were challenged

Figure 2: Rating history



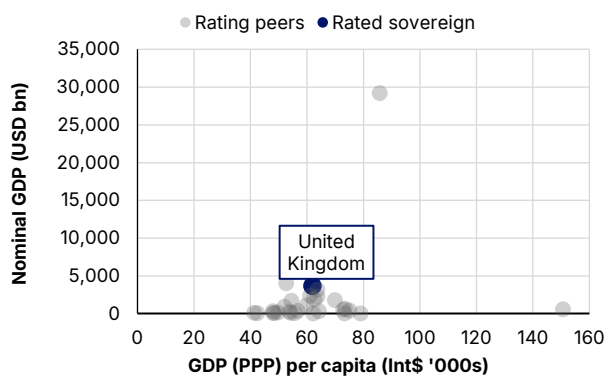
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

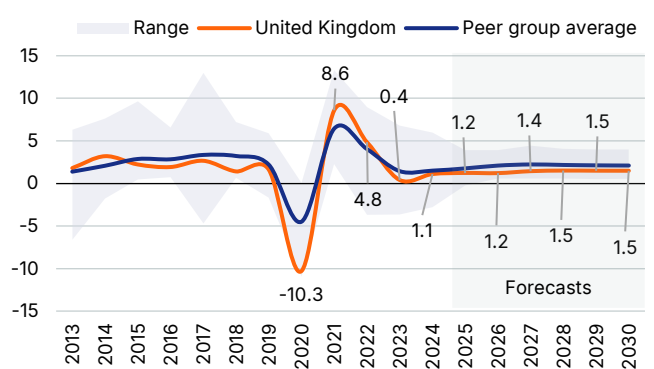
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Moderate growth potential compared against that of economies of sovereign peers; relatively lower productivity growth
	Monetary policy framework	Strong	+1/3	One of the world's 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 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, %



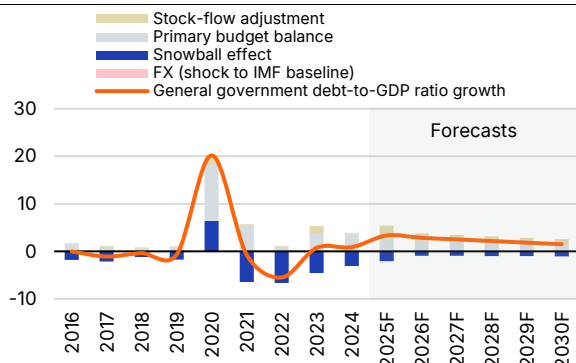
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

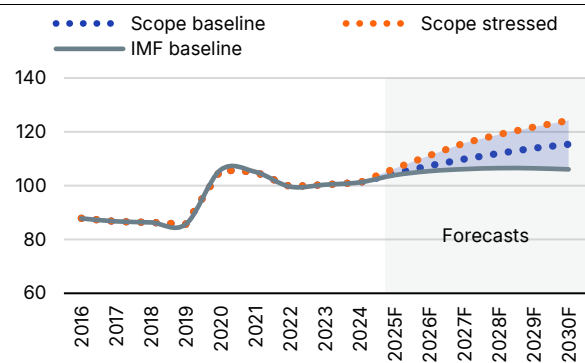
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Fiscal policy framework	Weak	-1/3	Relatively stronger framework with rolling targets over a three-year horizon from 2026, but regular revision and limited enforceability weigh on fiscal sustainability; significant budget gap to be addressed in November's 2026 budget proposal
	Long-term debt trajectory	Neutral	0	Public debt-to-GDP projected to gradually increase over the medium term, alike most of the rating peers
	Debt profile and market access	Strong	+1/3	Excellent 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 alike peers

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



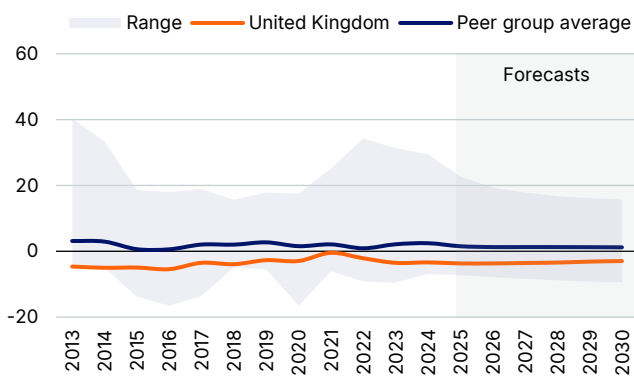
Source: IMF WEO, Scope Ratings forecasts

External economic risk

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

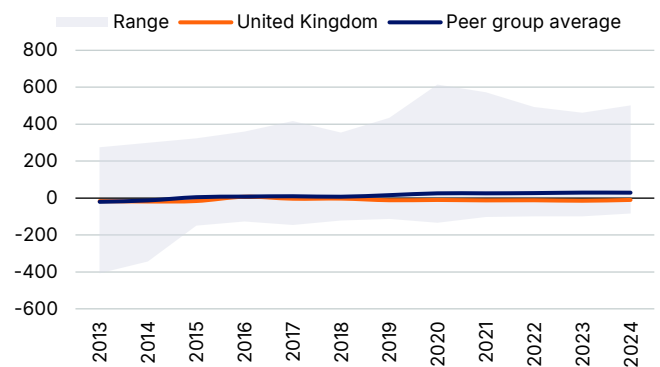
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b-	Current account resilience	Neutral	0	Persistent and relatively higher current-account deficits than peers, reflecting in part the country's role as a global financial center
	External debt structure	Weak	-1/3	Elevated 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



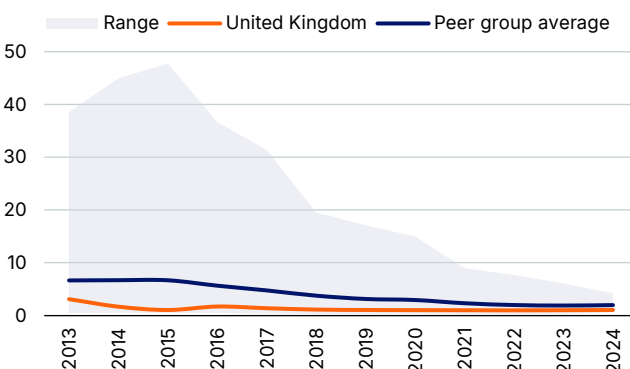
Source: IMF, Scope Ratings

Financial stability risk

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

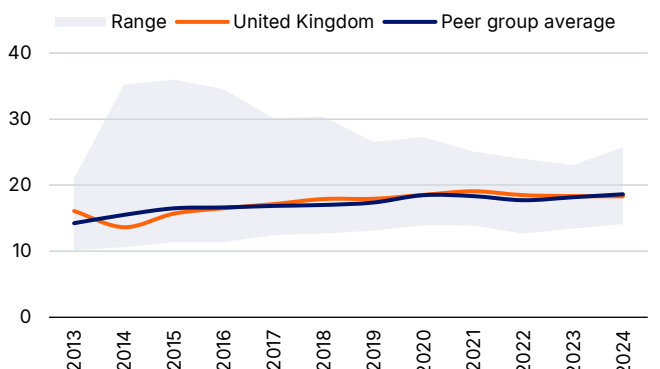
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	Banking-system capitalisation remains sound, low non-performing loans (NPLs), strong profitability
	Financial sector oversight and governance	Strong	+1/3	Sophisticated financial-regulatory 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: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

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



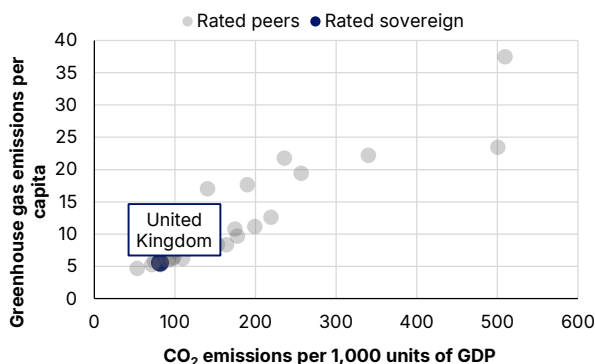
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of United Kingdom's ESG Risk

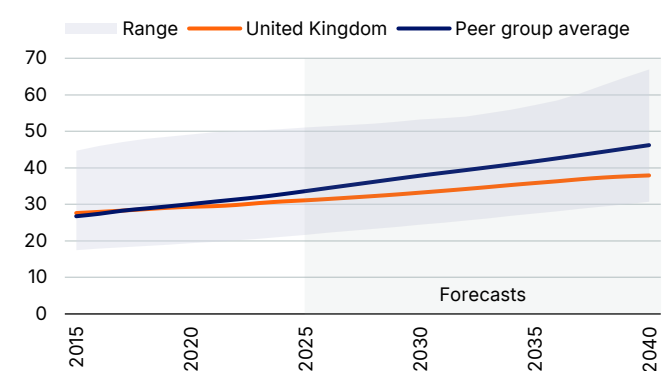
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Neutral	0	Ambitious commitments to carbon neutrality by 2050; low carbon intensity compared against peers; a weakening of environmental protections since Brexit
	Social factors	Neutral	0	Substantial social safety nets; challenges include high income inequality, elevated poverty rates compared against peers and the risk of social exclusion
	Governance factors	Neutral	0	Resilient institutional framework, but Brexit-associated challenges; next general election scheduled in 2029

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



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

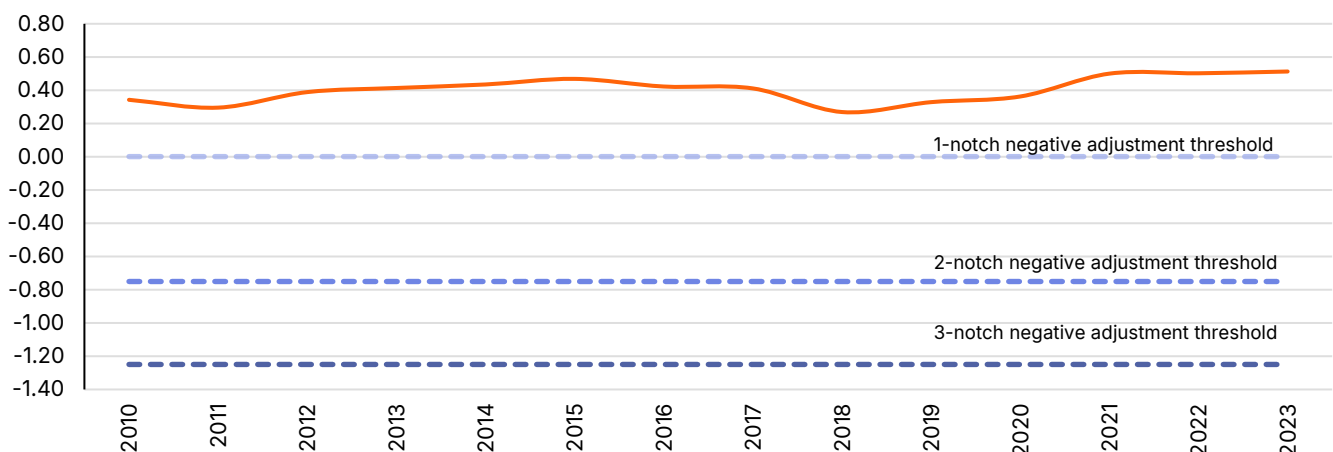
IMF SDR basket and Scope reserve-currency adjustment

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



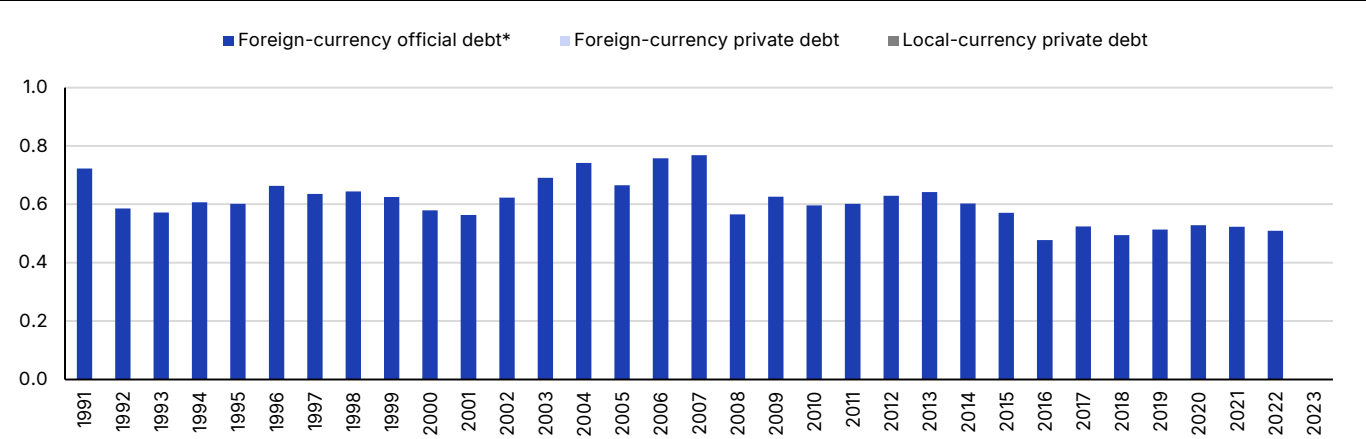
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the 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*
Belgium
Finland
France
Portugal
Spain
United States

*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 11 September 2025	18.55

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	49.9	48.0	52.7	58.9	60.4	61.9
	Nominal GDP, USD bn	IMF	2,853	2,699	3,144	3,125	3,371	3,645
	Real growth, %	IMF	1.6	-10.3	8.6	4.8	0.4	1.1
	CPI inflation, %	IMF	1.8	0.9	2.6	9.1	7.3	2.5
	Unemployment rate, %	Office for National Statistics (UK) – ONS	3.8	4.6	4.6	3.8	4.1	4.3
Public Finance	Public debt, % of GDP	IMF	85.7	105.8	105.1	99.6	100.4	101.2
	Net interest payment, % of government revenue	IMF	4.0	3.1	5.6	9.2	6.2	5.1
	Primary balance, % of GDP	IMF	-1.0	-12.0	-5.6	-0.9	-3.7	-3.8
External Economic	Current-account balance, % of GDP	ONS	-2.7	-2.9	-0.4	-2.1	-3.5	-2.7
	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	-14.0	-9.6
Financial Stability	NPL ratio, % of total loans	IMF	1.0	1.0	1.0	0.9	1.0	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	119.8	114.0
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	78.2
	Old-age dependency ratio, %	UN	29.1	29.3	29.5	29.8	30.4	30.8
	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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Related research

[UK sovereign rating affirmed, but fiscal pressures intensify; tariffs harm growth](#), April 2025

Applied methodology

[Sovereign Rating Methodology](#), January 2025

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