

## United Kingdom

This annex refers to the release of the rating action of 25 June 2021

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

<b>Implied rating of core variable scorecard (CVS)</b>		<b>aa-</b>
<b>Reserve currency adjustment</b>		<b>1</b>
<b>Weight</b>	<b>Qualitative scorecard (QS) for long-term issuer ratings</b>	
20%	Growth potential of the economy	Neutral
	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	Weak
	External debt structure	Weak
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Strong
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Neutral
<b>QS adjustment (notches)</b>		<b>0</b>
<b>Additional considerations (notches)</b>		<b>0</b>
<b>Final rating</b>		<b>AA STA</b>

### Annex II: Selected indicators

<b>Selected macroeconomic indicators</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
GDP per capita (USD '000s), EOP	41.2	40.3	43.1	42.4	40.4	46.3	49.3
Real GDP, % change	1.7	1.7	1.3	1.4	-9.9	6.6	5.4
Unemployment rate, %	4.9	4.4	4.1	3.8	4.5	4.5	4.0
CPI, % change	0.7	2.7	2.5	1.8	0.9	1.5	1.9
Policy rate, %, EOP	0.25	0.50	0.75	0.75	0.10	0.10	0.25
General government balance, % of GDP	-3.3	-2.4	-2.2	-2.3	-13.4	-11.4	-6.1
General government debt, % of GDP, EOP	86.8	86.3	85.8	85.2	103.7	105.8	107.6
Current account balance, % of GDP	-5.4	-3.8	-3.7	-3.1	-3.9	-3.9	-4.0

Source: IMF, Office for National Statistics, Scope Ratings GmbH

### Annex III: Economic development and default indicators

IMF Development Classification <sup>2</sup>	AE
5y USD CDS spread (bps) as of 22 June 2021	11

<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

United Kingdom	June 2021	Assessment	Rationale
Peers*	United States, Belgium, Estonia, Latvia, Lithuania, Malta, Slovenia, Japan, Czech Republic		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential, has weakened since the 2016 referendum
	Monetary policy framework	Strong	Highly credible and effective central bank; independent monetary policy
	Macro-economic stability & sustainability	Neutral	Diversified economy and flexible labour market; ongoing economic costs from the Brexit process
Public finance risk	Fiscal policy framework	Weak	Weakening fiscal framework amid dual Brexit and Covid shocks
	Debt sustainability	Neutral	Debt set to remain on an upward trajectory in the medium run, in line with some peers
	Debt profile & market access	Strong	Excellent government market access, long average debt maturity, significant debt held by central bank
External economic risk	Current account resilience	Weak	Weaker services exports may exacerbate external weaknesses, weakened net FDI inflows
	External debt structure	Weak	Elevated external debt, with high foreign-currency composition
	Resilience to short-term shocks	Neutral	Sterling as a reserve currency shields against short-term external shocks
Financial stability risk	Banking sector performance	Neutral	Banking-system capitalisation remains sound, low NPLs, declining profitability
	Banking sector oversight	Strong	Sophisticated financial-regulatory system and strong macro-prudential governance framework
	Financial imbalances	Neutral	Risk to financial system from Brexit and the Covid crisis, high private debt
ESG risk	Environmental risks	Neutral	Ambitious commitment to carbon neutrality by 2050
	Social risks	Neutral	Relatively favourable demographics; challenges include income inequality and the risk of social exclusion
	Institutional and political risks	Neutral	Resilient institutional framework, but ongoing domestic and international Brexit-associated challenges

\*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard after the reserve-currency adjustment.