

## Czech Republic

This annex refers to the release of monitoring note of 15 February 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>0</b>
<b>Weight</b>	<b>Qualitative scorecard (QS) for long-term local currency ratings</b>	
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
<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

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

	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD, '000s)	20.7	23.5	23.5	22.6	26.0	27.8
Real GDP, % change	5.2	3.2	2.3	-6.5	5.1	4.3
CPI, % change	2.5	2.2	2.9	3.3	2.4	2.2
General government balance, % of GDP	1.5	0.9	0.3	-7.3	-4.3	-3.2
General government debt, % of GDP	34.2	32.1	30.2	39.1	41.4	42.5
Current account balance, % of GDP	1.6	0.4	-0.4	-0.7	-0.5	-0.4
Gross external debt, % of GDP	80.8	77.2	72.6	-	-	-

## Annex III: Economic development and default indicators

IMF Development Classification <sup>2</sup>	AE
5y USD CDS spread (bps) as of 17 February 2021	40

<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

Czech Republic	February 2021	Assessment	Analytical rationale
Peers*	Austria, Estonia, Finland, Ireland, 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; persistent labor shortages
Public finance risk	Fiscal policy framework	Strong	Credible fiscal policy framework; affordable fiscal space for a sizeable policy stimulus
	Debt sustainability	Neutral	Moderate debt burden and manageable financing needs also under adverse scenarios
	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.