

Kingdom of Spain

Rating report

Rating rationale

Strengthened economic resilience and sustainability: Spain's economic resilience is evidenced by a robust GDP growth, driven by increased economic diversification and positive labour market trends, bolstered by immigration and successful past reforms. Additionally, Spain's effective use of substantial Next Generation EU funds has enhanced its economic sustainability, positioning the country favourably against its peers and contributing to solid long-term growth prospects.

Sustained fiscal consolidation: Spain's budget deficit reduction is underscored by sustained revenue growth and a restraint in spending growth, with energy-related measures mostly phased out. These factors support steady improvements in the primary balance, offsetting moderate interest expense increases. The central government's strategy allows regional governments to maintain their fiscal positions without further tightening, supporting overall fiscal stability and policy implementation. Additionally, the recent shift in Catalonia's government towards a closer alignment with national policies is likely to reduce fiscal uncertainties.

Rating challenges: i) modest productivity and elevated unemployment; ii) budgetary pressures stemming from long-term spending trends, notably from ageing dynamics; and iii) still high public debt levels.

Figure 1: Spain'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+	EUR	Spain	0	A
Public finance risk		20%	bbb-			- 1/3	
External economic risk		10%	b+			0	
Financial stability risk		10%	aa+			0	
ESG risk	Environmental factors	5%	bbb+	[+1]	[-0]	0	
	Social factors	7.5%	b-			- 1/3	
	Governance factors	12.5%	aa			0	
Sovereign Quantitative Model		a+				-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. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

Local currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

Lead Analyst

Jakob Suwalski

+49 69 1234567-89

j.suwalski@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Credit strengths and challenges

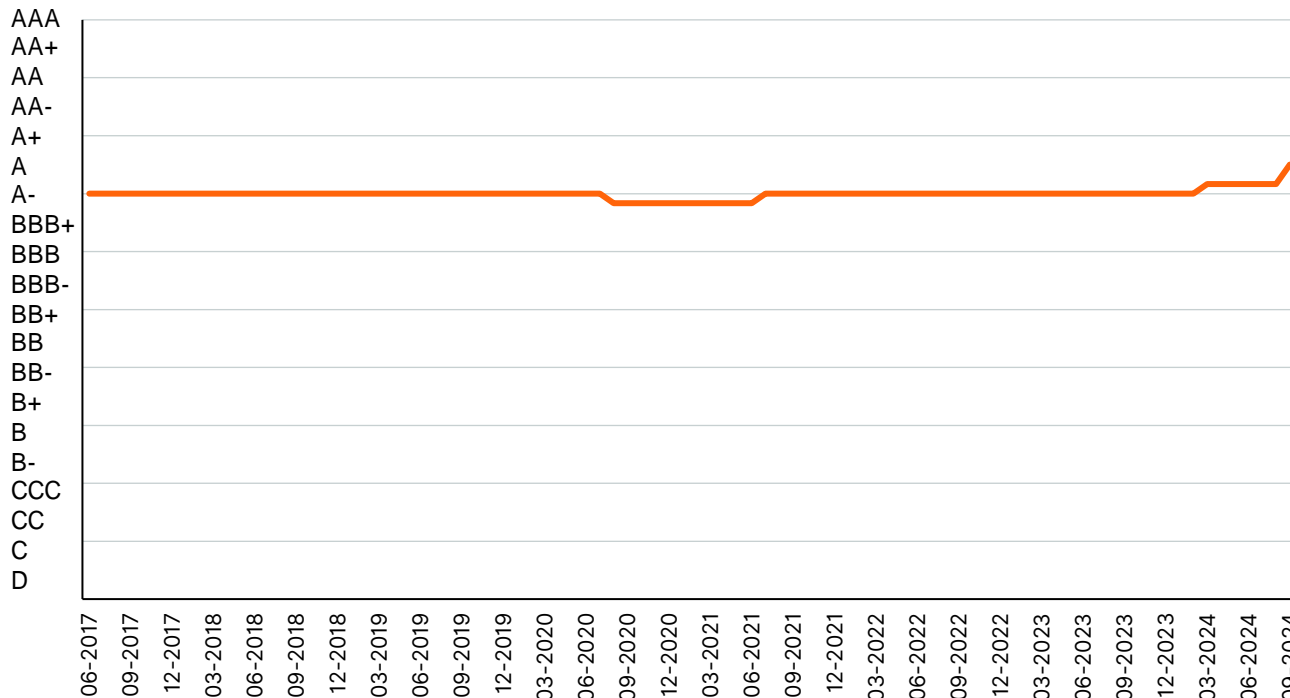
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • Large, diversified economy • Favourable debt profile • Euro area membership 	<ul style="list-style-type: none"> • Modest productivity and elevated unemployment • Budgetary pressures stemming from long-term spending trends, notably from ageing dynamics • Still high public debt levels

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
<ul style="list-style-type: none"> • Marked improvement in external competitiveness resulting in a stronger external position • Firm downward trajectory of government debt to GDP • Sustained economic growth, for instance driven by improved labour markets and diversification into emerging sectors 	<ul style="list-style-type: none"> • Weaker economic growth or public finances, reversing the declining debt-to-GDP trajectory • Higher domestic political risk, materially deteriorating Spain's economic conditions and public finances

Figure 2: Rating history¹



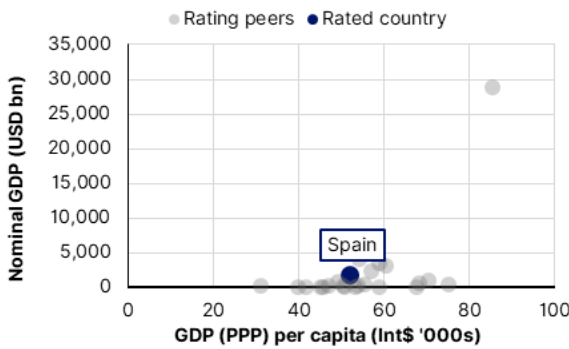
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Spain's Domestic Economic Risk

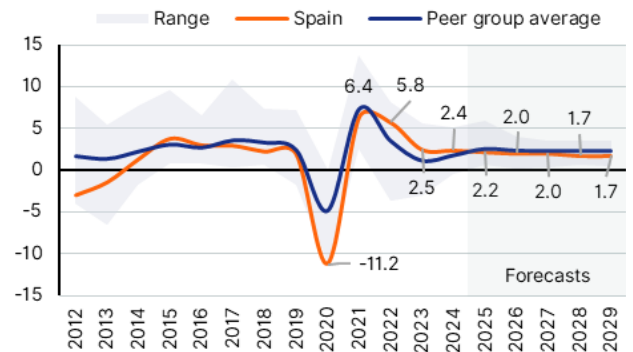
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential and outlook	Neutral	0	Moderate growth potential in line with peers
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank
	Macroeconomic stability and sustainability	Neutral	0	Large and diversified economy but still elevated unemployment; improvements in the labour market driven by recent reforms

Figure 3: Nominal GDP and GDP per capita (2024F)



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

Figure 4: Real GDP growth, %



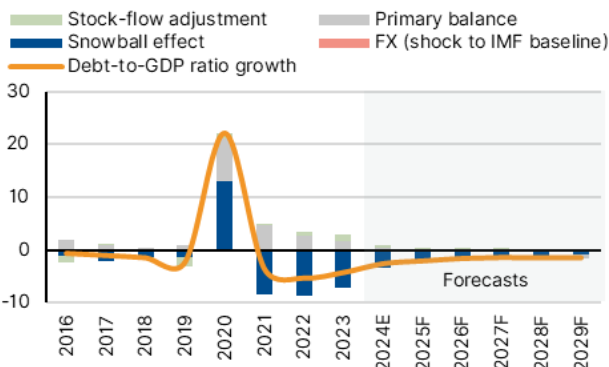
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Spain's Public Finance Risk

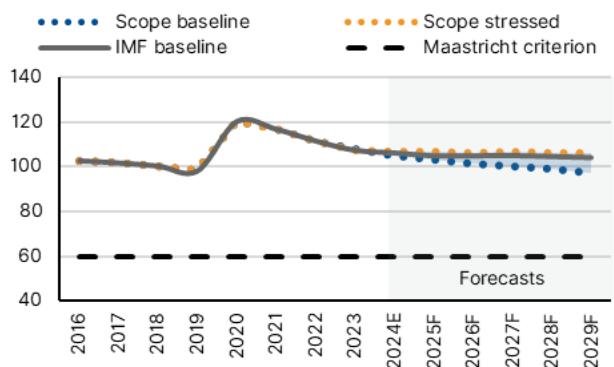
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Fiscal policy framework	Weak	-1/3	Long-term budgetary pressures resulting from pension costs; lingering uncertainties regarding fiscal dynamics between the central government and regional administrations
	Long-term debt trajectory	Neutral	0	High public debt to decline gradually over medium term
	Debt profile and market access	Neutral	0	Strong market access and solid investor base; safe debt composition with large central bank holdings

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

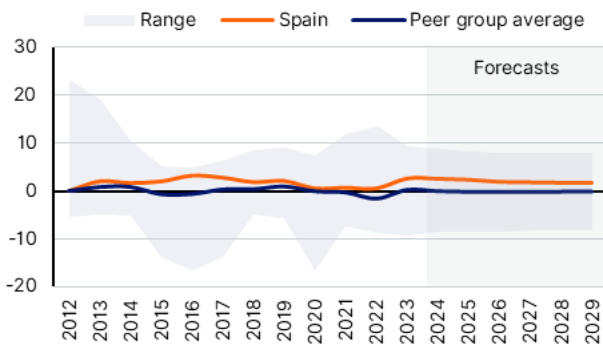
*Sovereign Quantitative Model.

External economic risk

Overview of Scope's assessments of Spain's External Economic Risk

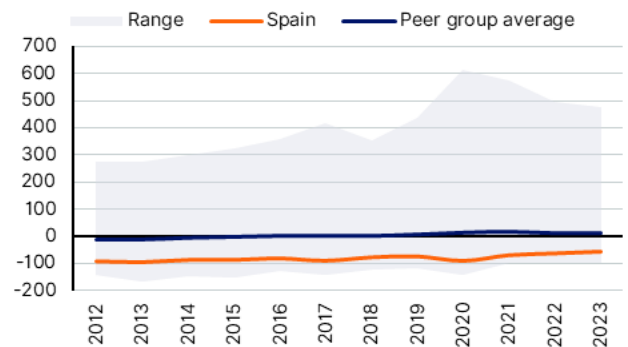
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Current account resilience	Neutral	0	Improving trade balance and increased non-tourism exports reflect enhancements in competitiveness
	External debt structure	Neutral	0	Ongoing external rebalancing; meaningful shares by the government and central bank
	Resilience to short-term external shocks	Neutral	0	Euro area membership shields against short-term external shocks

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



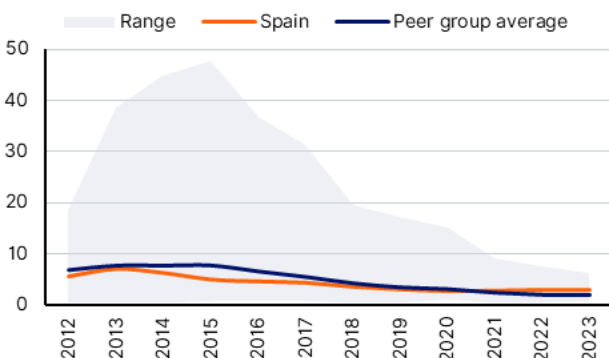
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Spain's Financial Stability Risk

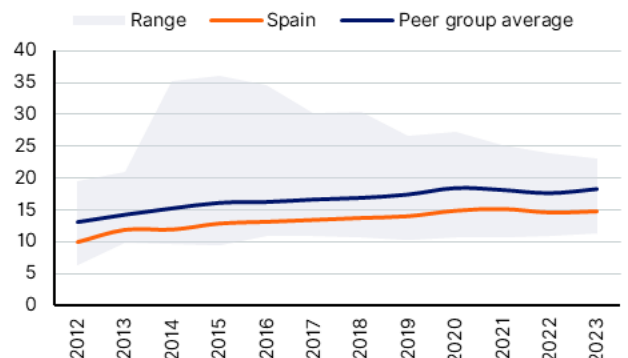
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Banking sector performance	Neutral	0	Banking-system capitalisation remains sound, improvements in profitability
	Financial sector oversight and governance	Neutral	0	Effective oversight under European Banking Union authorities and the Bank of Spain
	Financial imbalances	Neutral	0	Private sector deleveraging process ongoing, in line with euro area peers

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



Source: World Bank (WB), Scope Ratings

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



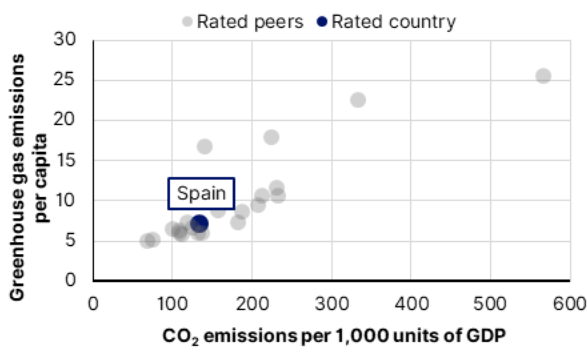
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Spain's ESG Risk

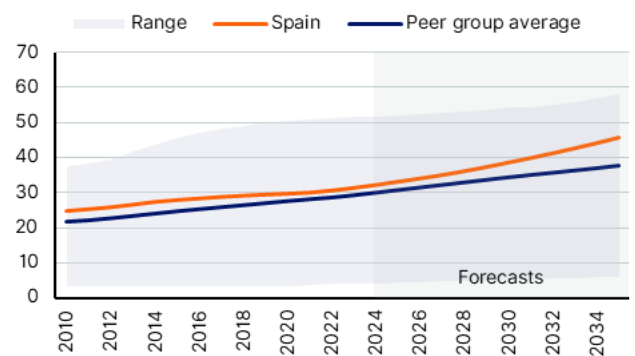
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Environmental factors	Neutral	0	Exposure to natural disasters; ambitious commitment to achieve carbon neutrality by 2050
	Social factors	Weak	-1/3	Significant structural unemployment and regional disparities, and low wages compared to rating peers
	Governance factors	Neutral	0	Minority government; improved relations with regions, including Catalonia; recent reform momentum

Figure 11: CO₂ emissions per capita/GDP (2022), mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

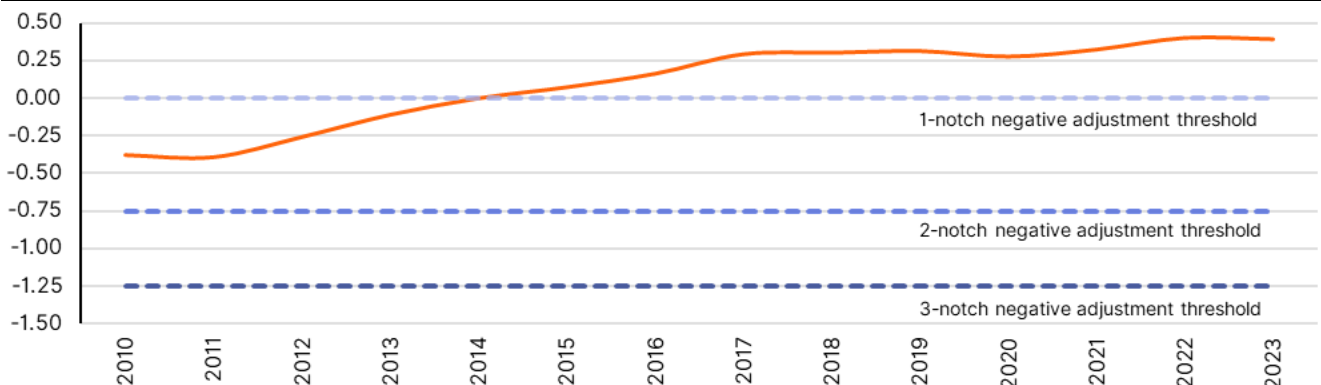
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: WB Political Stability & Absence of Violence/Terrorism index, Spain, 3-year moving average



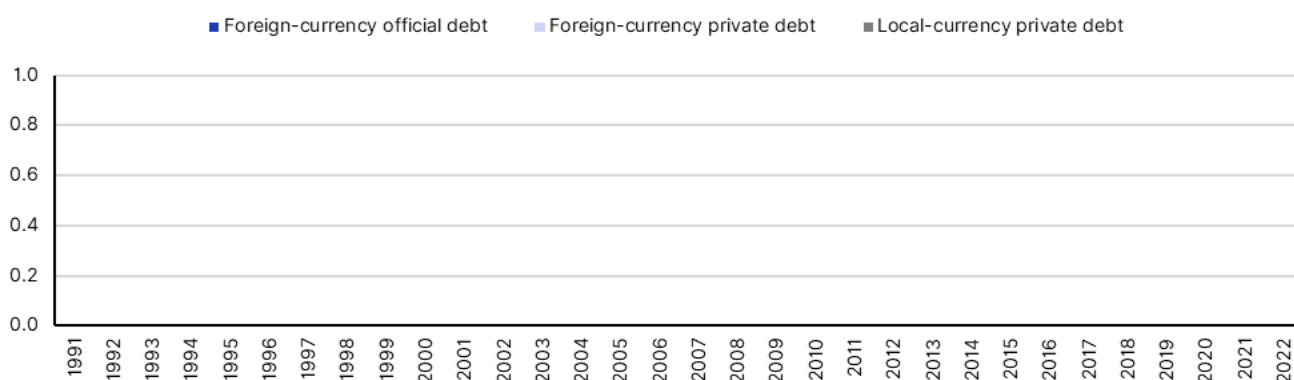
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: 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 II. 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
France
Italy
Poland
Portugal
Slovenia
United Kingdom

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 5 September 2024	35

Appendix IV. 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	2018	2019	2020	2021	2022	2023E
Domestic Economic	GDP per capita (PPP) , Int\$ '000s	IMF	41.3	42.5	38.0	42.4	47.7	50.4
	Nominal GDP , USD bn	IMF	1,422	1,394	1,277	1,447	1,419	1,581
	Real growth , %	IMF	2.3	2.0	-11.2	6.4	5.8	2.5
	CPI inflation , %	IMF	1.7	0.8	-0.3	3.0	8.3	3.4
	Unemployment rate , %	WB	15.3	14.1	15.5	14.8	12.9	12.1
Public Finance	Public debt , % of GDP	IMF	100.4	98.2	120.3	116.8	111.6	107.5
	Net interest payments , % of government revenue	IMF	5.6	5.2	4.9	4.5	5.0	4.4
	Primary balance , % of GDP	IMF	-0.4	-1.0	-8.1	-4.8	-2.6	-1.8
External Economic	Current-account balance , % of GDP	IMF	1.9	2.1	0.6	0.8	0.6	2.6
	Total reserves , months of imports	WB	1.6	1.7	2.3	2.0	1.8	1.9
	NIIP , % of GDP	IMF	-76.7	-73.0	-91.3	-67.9	-60.9	-
Financial Stability	NPL ratio , % of total loans	IMF	3.7	3.2	2.9	2.9	3.1	3.1
	Tier 1 ratio , % of risk-weighted assets	IMF	13.5	13.7	13.7	14.8	14.9	14.8
	Credit to the private sector , % of GDP	WB	99.5	95.0	108.6	99.5	90.0	80.3
ESG	CO₂ per EUR 1,000 of GDP , mtCO ₂ e	EC	145.6	133.8	127.3	128.7	134.1	-
	Income share of bottom 50% , %	WID	21.4	21.3	22.2	20.1	20.1	-
	Labour-force participation rate , %	WB	73.7	73.8	72.3	73.8	74.1	-
	Old-age dependency ratio , %	UN	29.3	29.6	29.8	30.2	30.7	31.5
	Composite governance indicators*	WB	0.9	0.9	0.8	0.9	0.8	-
	Political stability , index	WB	0.3	0.3	0.4	0.5	0.3	-

*Average of the following five World Bank Worldwide Governance Indicators: *Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality*.

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin
[scoperatings.com](https://www.scoperatings.com)

Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

in
Bloomberg: RESP SCOP
[Scope contacts](#)

Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin.