

Czech Republic

Rating report

Rating rationale

A gradual economic recovery and strong record of sound macro-economic policies: The Czech Republic's strong track record of sound macro-economic policy making, combined with a competitive industrial base and well-developed manufacturing sector, bolstered by the steady inflow of foreign direct investment and EU financing contribute to the economy's resilience. Scope expects robust growth of 2.3% in 2025 followed by 2.2% in 2026. While risks remain elevated and uncertainties relate especially to the German economy and global economic developments, household consumption and EU fund inflow are expected to continue to support the recovery.

A comparatively stable fiscal position with moderate budget deficits and debt levels: Despite the rise in public debt following the pandemic, the Czech Republic's sovereign debt ratio remains favourable compared to peers. Scope projects a moderate rise in the debt-to-GDP ratio in the coming years to 44.6% in 2025 and 47.1% by 2030, from 43.6% in 2024, assuming no significant policy deviation following the October parliamentary elections.

Rating challenges include: i) a highly concentrated economic structure reliant on global supply chains and external demand, exposing the economy to external crises, alongside the risk of exchange-rate volatility and moderate levels of reserves; and ii) pressures on public finances, including from adverse demographics, military expenditure and higher interest costs.

Parliamentary elections are to be held in early October, with the right-wing Action of Dissatisfied Citizens (ANO) of former premier and EU critic Andrej Babiš leading under opinion polling.

Foreign currency

Long-term issuer rating/Outlook

AA-/Stable

Senior unsecured debt/Outlook

AA-/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AA-/Stable

Senior unsecured debt/Outlook

AA-/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Figure 1: The Czech Republic'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+	CZK	Czech Republic	0	AA-
Public finance risk		20%	aa+			0	
External economic risk		10%	bbb+			0	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	bb+	[+0]	[-0]	- 1/3	
	Social factors	7.5%	b+			0	
	Governance factors	12.5%	aaa			0	
Sovereign Quantitative Model***		aa-				0	
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 rating of 'aa-'.

****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.

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Credit strengths and challenges

Credit strengths

- A strong track record of sound macro-economic policies
- A stable fiscal position with moderate budget deficits and moderate levels of government debt

Credit challenges

- Reliance on global supply chains and external-sector demand; exchange-rate fluctuations and moderate reserve coverage
- The pressures on public finances from adverse demographics, military expenditure and higher interest costs

Outlook and rating triggers

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

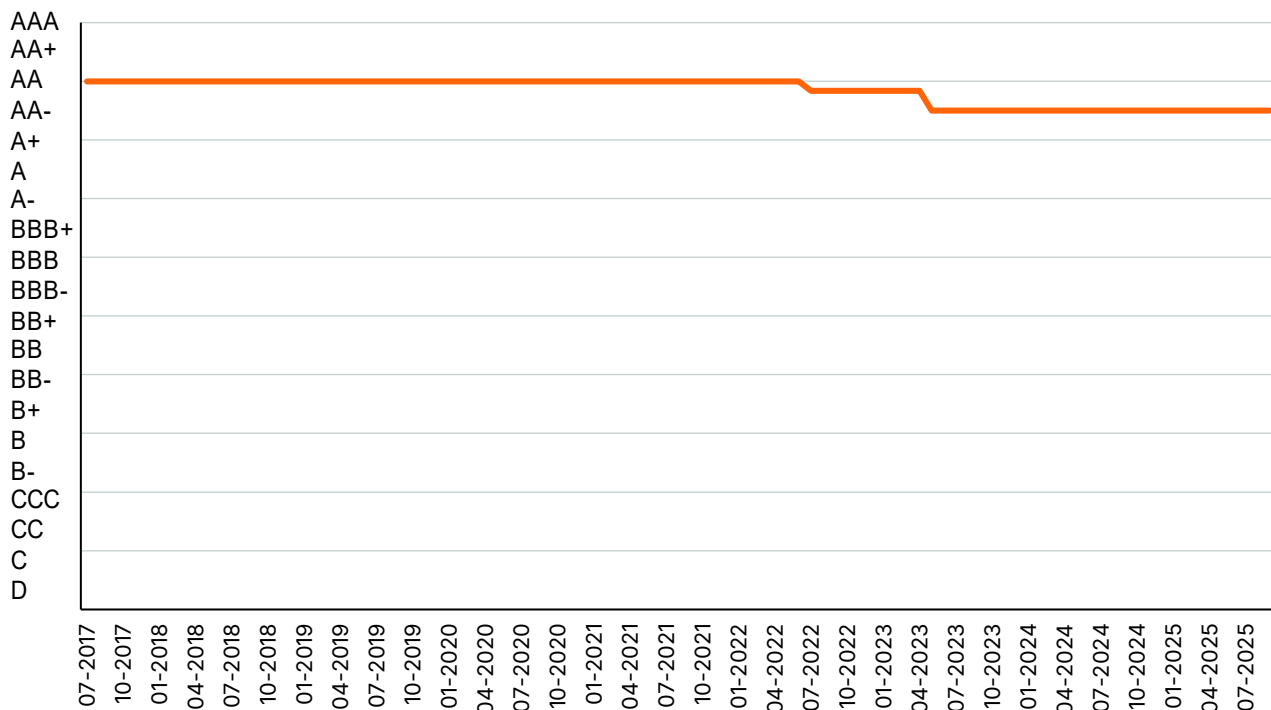
Positive rating-change drivers

- The country's resilience against external shocks is strengthened materially, supporting macro-economic stability
- Further convergence towards EU average income levels
- Fiscal performance improved materially, resulting in a material decline in government debt-to-GDP

Negative rating-change drivers

- Fiscal and/or economic outlooks weakened materially, resulting in elevated fiscal deficits and increasing government debt
- Institutional and/or geopolitical risks increase
- The economy's resilience against external shocks is weakened

Figure 2: Rating history



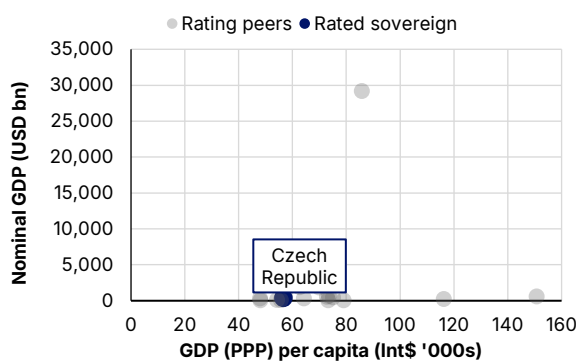
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of the Czech Republic's Domestic Economic Risk

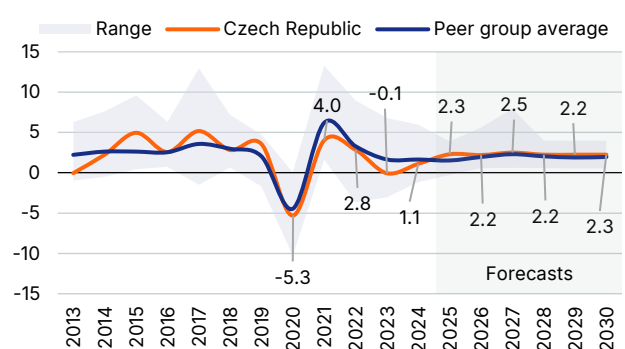
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential and outlook	Neutral	0	The economy remains reliant on external demand, but gradual recovery and longer-run growth anticipated to stabilise around 2.25% a year
	Monetary policy framework	Neutral	0	A credible central bank in the Czech National Bank; small local-currency bond market restricts the effectiveness of monetary policies
	Macroeconomic stability and sustainability	Neutral	0	Moderate economic diversification; reliance on external markets; persistent labour-market shortages

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



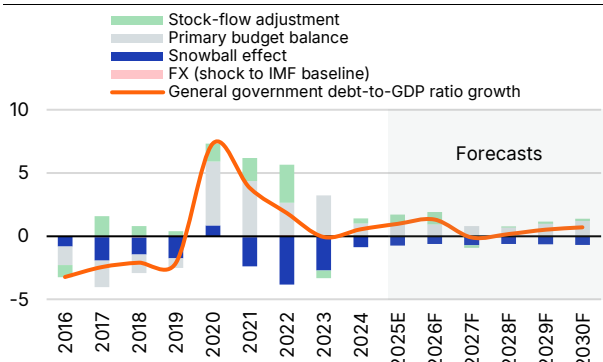
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of the Czech Republic's Public Finance Risk

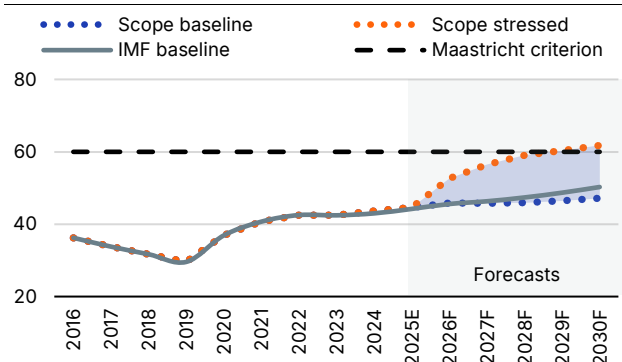
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Fiscal policy framework	Neutral	0	A strong track record of maintaining sound public finances even after the Covid and energy shocks
	Long-term debt trajectory	Neutral	0	A moderate public-debt burden forecast to increase only slightly, but risks after this year's elections
	Debt profile and market access	Neutral	0	Substantial liquid assets in the form of public-sector deposits; but a very-short average maturity of government treasuries; moderate government financing requirements

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

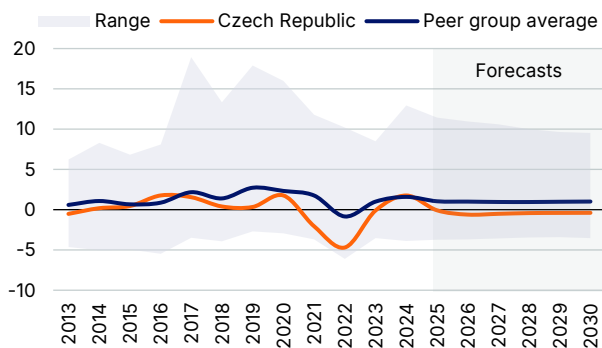
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of the Czech Republic's *External Economic Risk*

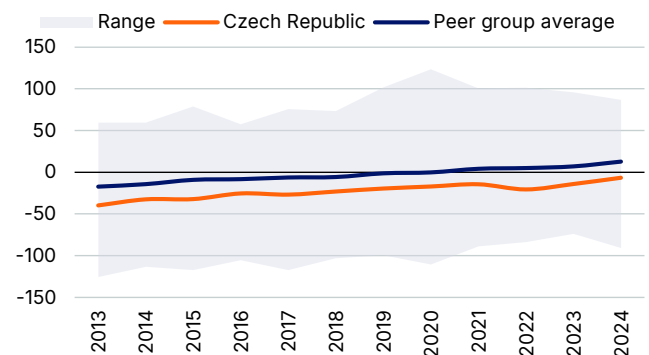
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Current account resilience	Neutral	0	A freely floating koruna and competitive industrial base support current account dynamics
	External debt structure	Neutral	0	The external debts of the private sector make up the majority of total external debt, but nearly half of external debt liabilities have a short-term original maturity
	Resilience to short-term external shocks	Neutral	0	A medium-sized, open economy; reliance on external demand and foreign direct investment; moderate reserve coverage of short-term external debt

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



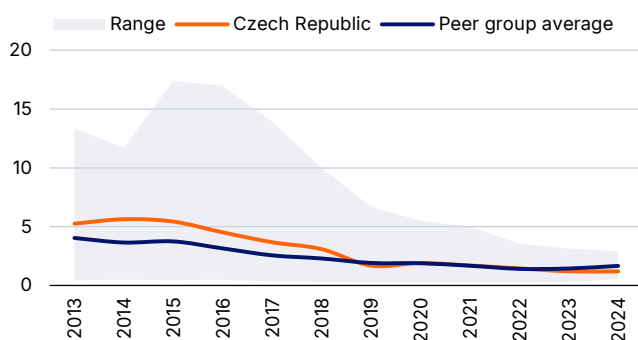
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of the Czech Republic's *Financial Stability Risk*

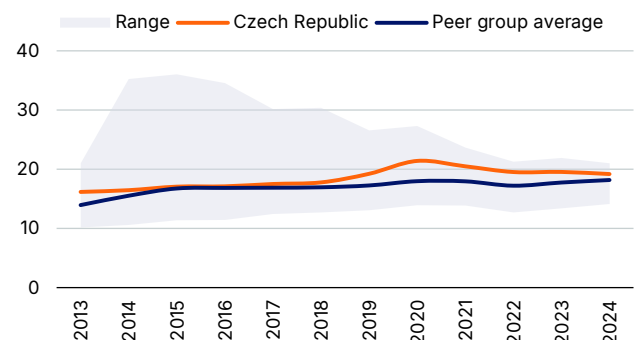
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	A robust banking-system funding profile
	Financial sector oversight and governance	Neutral	0	Effective financial system supervision; timely and comprehensive regulatory measures
	Financial imbalances	Neutral	0	Moderate household and private-sector indebtedness; broadly resilient banking sector

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



Source: World Bank (WB), Scope Ratings

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



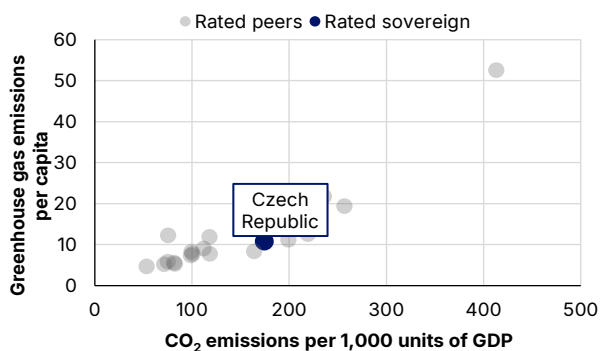
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of the Czech Republic's ESG Risk

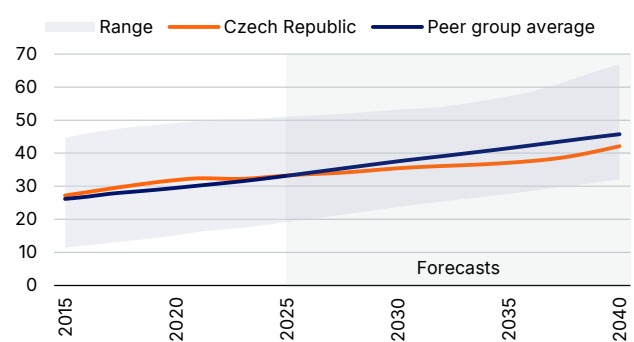
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Environmental factors	Weak	- 1/3	Meaningful transition risk; carbon-intensive economy as a transit economy with an elevated share of its output in manufacturing; low share of renewables
	Social factors	Neutral	0	Adverse demographics resulting in a declining working-age population; elevated employment rates and moderate levels of income inequality
	Governance factors	Neutral	0	Robust institutions; moderate reform momentum; elections in October 2025

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



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

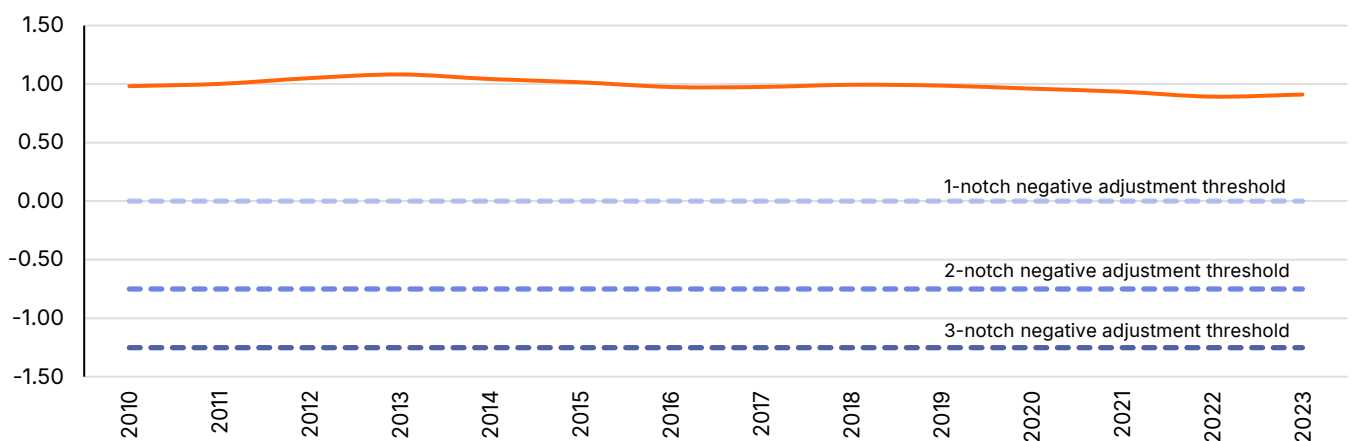
IMF SDR basket and Scope reserve-currency adjustment

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, Czech Republic, 3-year moving average



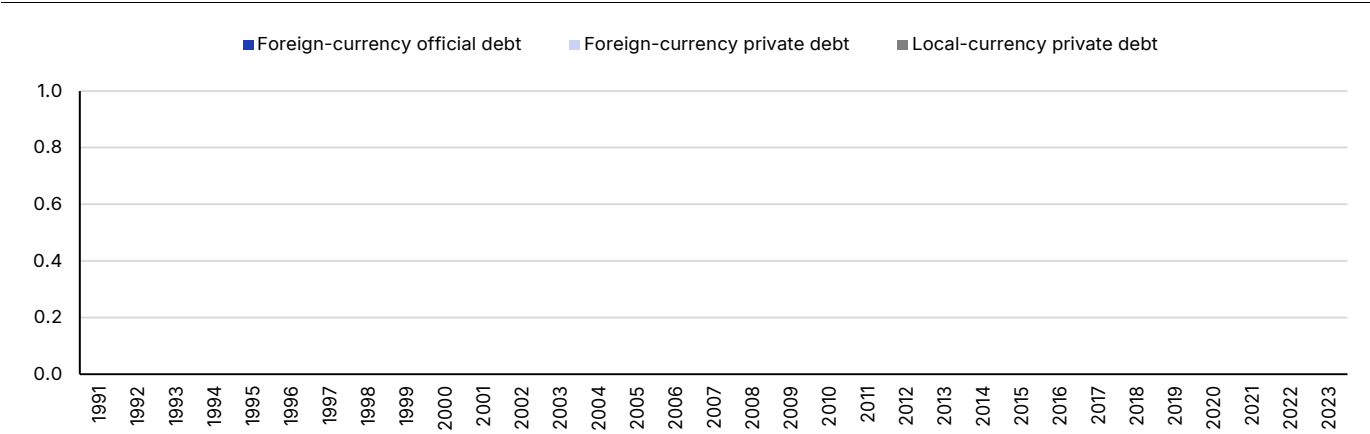
Source: WB, Scope Ratings

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*	
Austria	Lithuania
Belgium	Malta
Estonia	Portugal
Finland	Slovenia
France	

*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
5y USD CDS spread (bp) as of 15 September 2025	29.5

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	45.5	44.8	49.9	53.4	55.2	56.7
	Nominal GDP, USD bn	IMF	257	251	291	302	343	345
	Real growth, %	IMF	3.6	-5.3	4.0	2.8	-0.1	1.1
	CPI inflation, %	IMF	2.8	3.2	3.8	15.1	10.7	2.4
	Unemployment rate, %	WB	2.0	2.6	2.8	2.2	2.6	-
Public Finance	Public debt, % of GDP	IMF	29.6	36.9	40.7	42.5	42.4	43.0
	Net interest payment, % of government revenue	IMF	1.2	1.4	1.5	1.3	1.4	3.1
	Primary balance, % of GDP	IMF	0.8	-5.1	-4.4	-2.6	-3.2	-0.9
External Economic	Current-account balance, % of GDP	IMF	0.3	1.8	-2.1	-4.7	-0.1	1.8
	Total reserves, months of imports	WB	9.1	11.3	9.3	6.8	7.1	-
	NIIP, % of GDP	IMF	-19.8	-17.4	-14.7	-20.9	-14.4	-6.9
Financial Stability	NPL ratio, % of total loans	IMF	1.7	1.9	1.7	1.5	1.2	1.2
	Tier 1 ratio, % of risk-weighted assets	IMF	17.9	19.2	21.3	19.6	19.5	19.0
	Credit to the private sector, % of GDP	WB	49.4	52.0	52.0	48.6	48.0	48.3
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	198.7	192.2	194.9	191.0	174.4	-
	Income share of bottom 50%, %	WID	28.3	28.6	28.6	28.6	28.6	
	Labour-force participation rate, %	WB	76.6	76.2	76.5	77.0	77.3	77.2
	Old-age dependency ratio, %	UN	31.1	31.9	32.4	32.3	32.2	32.7
	Composite governance indicators*	WB	0.9	0.9	1.0	1.1	1.1	-
	Political stability, index	WB	1.0	1.0	0.9	0.9	0.9	-

*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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Applied methodologies

[Sovereign Rating Methodology](#), January 2025

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