

People's Republic of China

Rating report

Rating rationale

Large and well-diversified economy. China's credit ratings are supported by a large, well-diversified and competitive economy. Although we estimate the nation's medium-run growth potential at 4% a year, indicating a continued gradual easing of the very-rapid growth of the recent decades, near-term growth expectations are above trend (4.6% for 2025 before 4.3% for 2026, after growth of 5% last year).

External-sector resilience. The country's significant external-sector resilience is underpinned by elevated foreign-exchange reserves exceeding USD 3trn, low external debt outstanding, moderate current-account surpluses alongside the internationalisation of the renminbi.

Unique capacity of government for adoption of reform. China's central government exerts a significant degree of control over many economic sectors. This can support the speed and efficacy of targeted reforms, including the capacity for extraordinary macro-prudential policy responses. Although this increases the unique capacity of the State to bring about fundamental reforms when tackling high and rising degrees of leverage, it can also have credit-negative implications if unchecked powers result in the lower quality of governance and policy making over time. Nevertheless, controls over the economy enhance the implicit resources of the sovereign under stressed financial scenarios – decreasing sovereign credit risk.

Rating challenges: i) the wide structural public sector deficit and an increasing general government debt stock over the long run – including rising levels of explicit sovereign debt even if remaining at modest levels as contingent liabilities gradually transition onto the central-government balance sheet; ii) financial imbalances, such as rising levels of total non-financial sector debt since 2008; iii) inflated growth objectives and deflation risk; and iv) weakening demographics including a declining population.

Figure 1: China'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+	CNY	China	+1	A
Public finance risk	20%	b			0	
External economic risk	10%	aa+			+2/3	
Financial stability risk	10%	bb+			0	
ESG risk	Environmental factors	5%	[+1]	[-1]	0	
	Social factors	7.5%			0	
	Governance factors	12.5%	b-			
Sovereign Quantitative Model (SQM)****			bbb+		+2	
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 SQM rating of 'bbb+'. 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

Dennis Shen

+49 30 2218239-48

d.shen@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Credit strengths and challenges

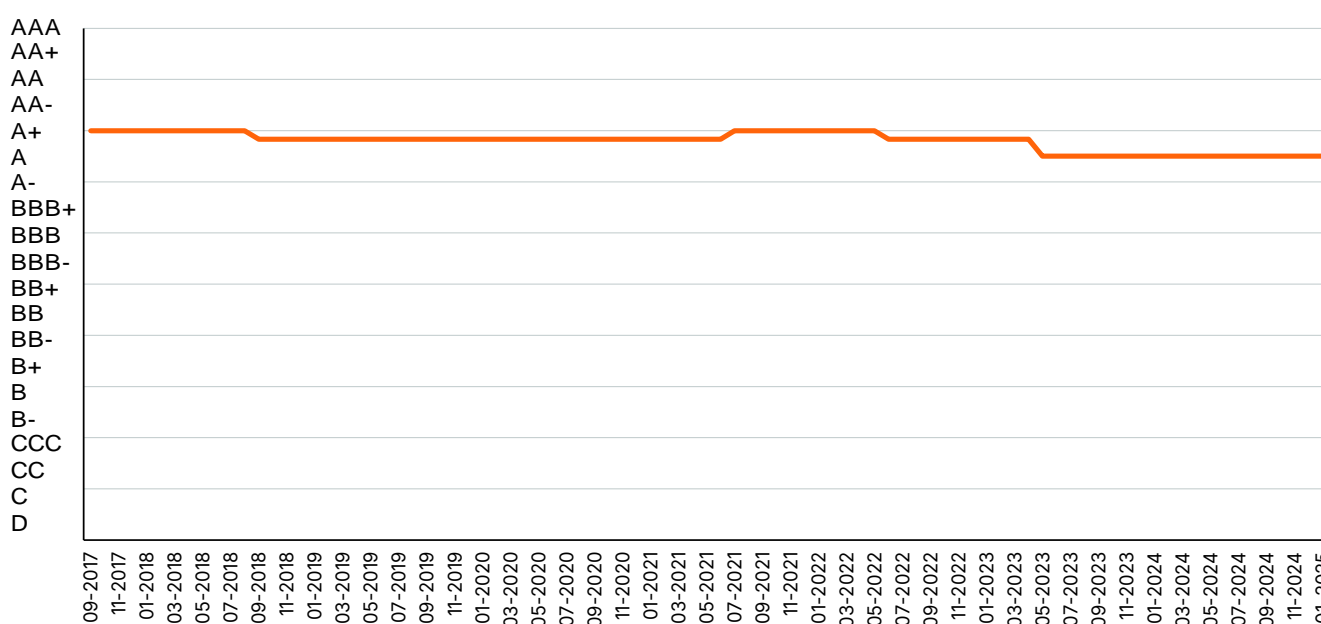
Credit strengths	Credit challenges
<ul style="list-style-type: none"> A large and diversified economy with comparatively strong sustainable rates of economic growth Significant external-sector resilience, the largest stock of foreign-exchange reserves globally, and rises of renminbi and Chinese securities as a reserve currency and safe asset Government controls across many sectors facilitates the capacity for targeted reform and enhances the implicit resources of the State under stressed financial conditions The low levels of explicit sovereign debt 	<ul style="list-style-type: none"> Significant public sector deficits and rising levels of general and central government debt Financial system imbalances, considering high levels of economy-wide non-financial sector debt for an emerging economy, corporate defaults and the property-sector crisis Overly-high growth objectives and deflation risk Adverse demographics and a slowly declining population

Outlook and rating triggers

The Stable Outlook represents the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> The renminbi and Chinese government bonds make substantive gains as a reserve currency and global safe asset respectively The public finances strengthen, significantly slowing the rising trajectory of general government debt Strengthened financial stability and/or sustainability of the economic-growth outlook due to the continuation of economic and financial-sector reforms 	<ul style="list-style-type: none"> The maintenance of unsustainably-high economic growth targets, associated continuity of a weak budgetary outlook and continued rapid rises of general government debt The materialisation of significant financial and/or economic crisis, impairing financial-system stability The material weakening of external-sector resilience or rises of geopolitical risk

Figure 2: Rating history



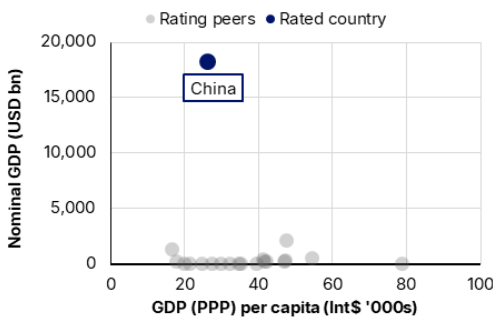
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

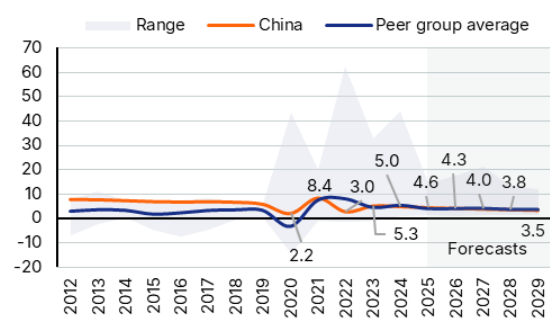
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential and outlook	Strong	+1/3	Growth potential remains elevated compared with that of economies of sovereign peers, despite gradually structurally moderating
	Monetary policy framework	Strong	+1/3	Effective monetary policy and exchange-rate policies, with a strengthened emphasis on maintenance of financial stability; innovations of monetary policies although inflation has recently been well below target
	Macroeconomic stability and sustainability	Strong	+1/3	Largest economy globally by purchasing power definitions; highly diversified and competitive economy; labour-market rigidities

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



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

Figure 4: Real GDP growth, %



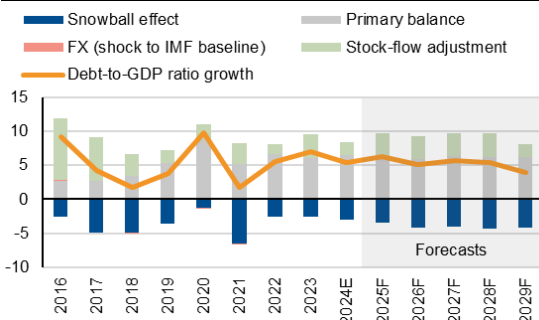
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

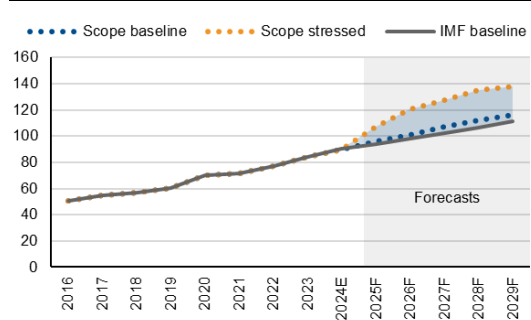
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b	Fiscal policy framework	Weak	-1/3	Budgetary dynamics hindered by structural social spending and infrastructure-spending requirements to achieve inflated annual growth objectives; limited enforceable fiscal regulations restricting spending
	Long-term debt trajectory	Neutral	0	General government debt levels elevated by emerging-market standards; further rises anticipated in reported public indebtedness including at the central-government level; more benign longer-run ageing-related spending pressures; central-government debt is very low
	Debt profile and market access	Strong	1/3	General government debt predominantly at the local level; moderate average maturity of treasuries; significant cash cushions; deep domestic capital markets; unique sovereign resources under stressed financial scenarios given the controls over the economy

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

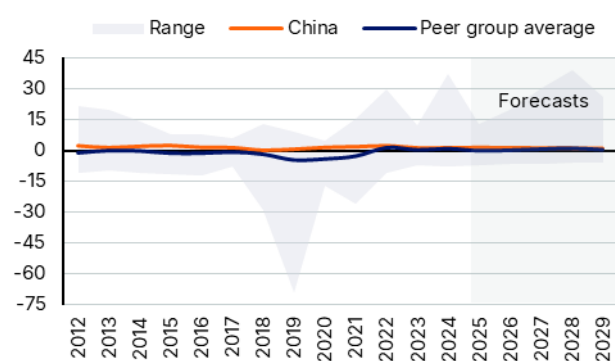
¹ Sovereign Quantitative Model

External economic risk

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

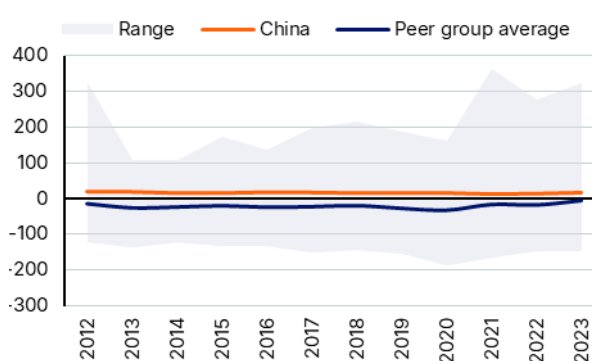
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Current account resilience	Neutral	0	Moderate current account surpluses; significant inward foreign direct investment
	External debt structure	Strong	+1/3	Very limited foreign debt at 14% of GDP due to the financial system historically being closed
	Resilience to short-term external shocks	Strong	+1/3	The largest stock of foreign-exchange reserves globally at USD 3.2trn, strongly anchoring external-sector resilience

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



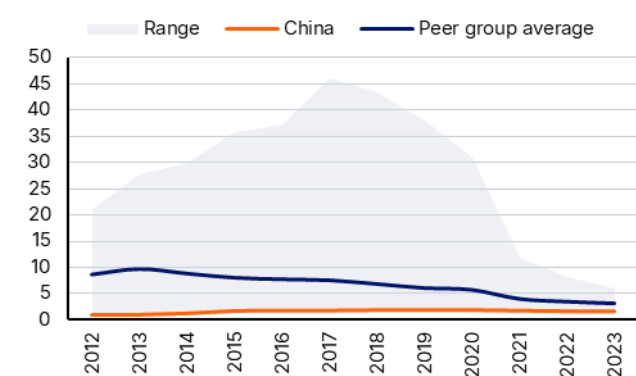
Source: IMF, Scope Ratings

Financial stability risk

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

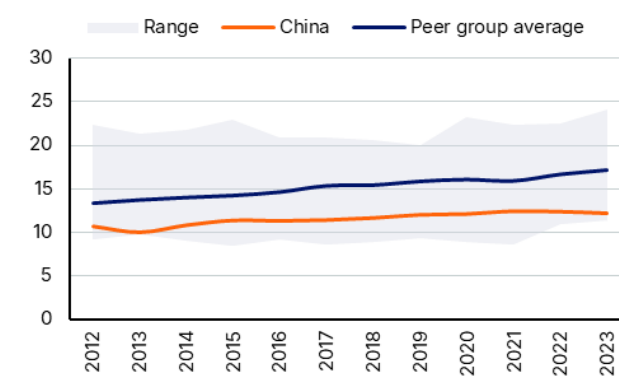
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Banking sector performance	Neutral	0	Moderately capitalised banking system; low levels of reported NPLs
	Financial sector oversight and governance	Strong	+1/3	Effective supervisory; unparalleled capacity for fast and comprehensive regulatory measures addressing financial stability risks
	Financial imbalances	Weak	-1/3	Elevated and rising economy-wide debt; property sector crisis; corporate defaults; elevated although declining foreign-currency exposures of the banking system

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



Source: World Bank (WB), Scope Ratings

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



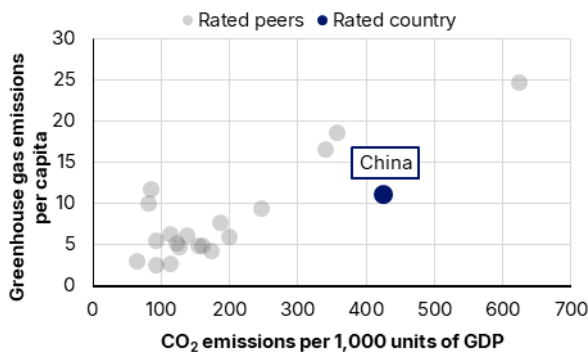
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

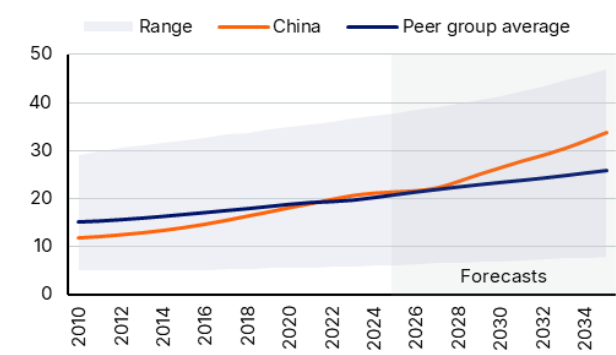
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Environmental factors	Neutral	0	Elevated carbon intensity of the economy; highest emissions globally but leads the world on wind and solar
	Social factors	Neutral	0	Elevated income inequalities, slow demographic decline, but elite education results and comparatively long healthy life expectancy
	Governance factors	Neutral	0	China's central government exerts a significant degree of control over the domestic economy, supporting fast reform, but one-man rule may result in the lower quality of governance and risk more-frequent policy mistakes if left unchecked long run

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

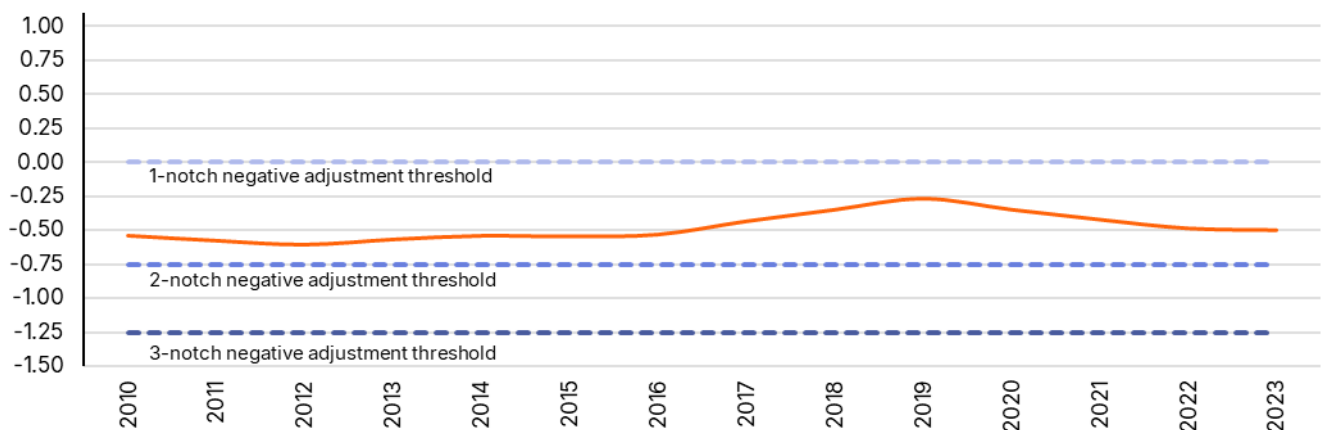
IMF SDR basket and Scope reserve-currency adjustment

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, China, three-year moving average



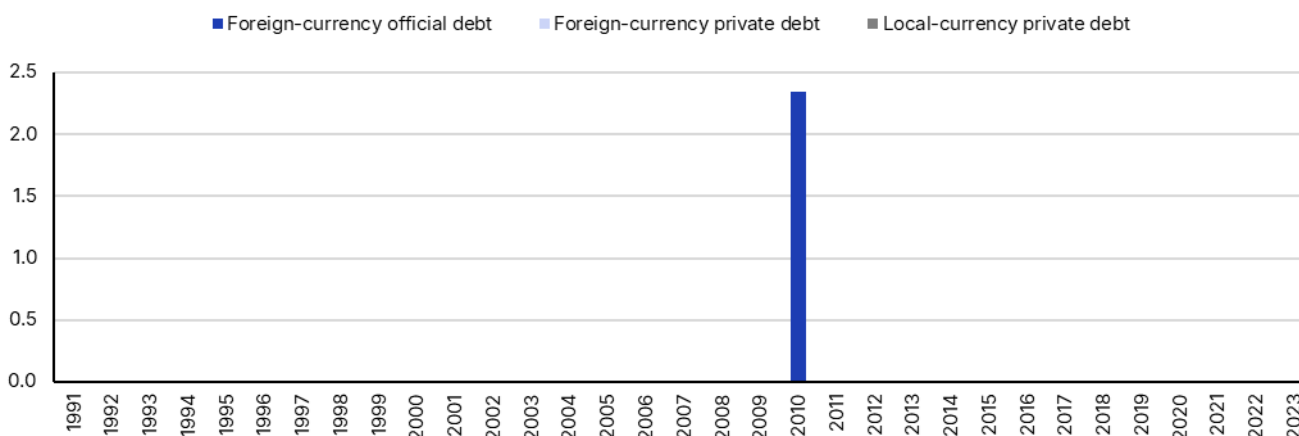
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the credit rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



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*
Bulgaria
Georgia
Greece
Hungary
Romania

*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	Emerging market and developing economy
5y USD CDS spread (bps) as of 17 January 2025	57.3

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	2018	2019	2020	2021	2022	2023	2024E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	15.9	17.3	18.1	20.3	22.4	24.5	26.3
	Nominal GDP, USD bn	IMF	13,842	14,341	14,863	17,759	17,849	17,758	18,273
	Real growth, %	IMF	6.7	6.0	2.2	8.4	3.0	5.3	4.8
	CPI inflation, %	IMF	2.1	2.9	2.5	0.9	2.0	0.2	0.4
	Unemployment rate, %	WB	4.3	4.6	5.0	4.6	5.0	4.7	-
Public Finance	Public debt, % of GDP	IMF	56.7	60.4	70.2	71.9	77.4	84.4	90.1
	Net interest payment, % of government revenue	IMF	2.8	3.0	3.7	3.4	3.6	3.6	3.9
	Primary balance, % of GDP	IMF	-3.5	-5.3	-8.8	-5.1	-6.6	-6.0	-6.4
External Economic	Current-account balance, % of GDP	IMF	0.2	0.7	1.7	2.0	2.5	1.4	1.4
	Total reserves, months of imports	WB	13.1	13.8	14.7	11.6	11.3	-	-
	NIIP, % of GDP	IMF	15.2	16.0	15.4	12.3	13.6	-	-
Financial Stability	NPL ratio, % of total loans	IMF	1.8	1.9	1.8	1.7	1.6	1.6	-
	Tier 1 ratio, % of risk-weighted assets	IMF	11.1	11.5	11.9	11.9	12.2	12.2	-
	Credit to the private sector, % of GDP	WB	157.8	165.4	182.9	177.3	186.2	194.7	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	471.7	455.9	452.4	437.9	422.0	424.6	-
	Income share of bottom 50%, %	WID	13.9	14.0	13.8	13.7	13.7	-	-
	Labour-force participation rate, %	WB	75.5	75.4	74.3	75.8	75.9	-	-
	Old-age dependency ratio, %	UN	16.4	17.2	18.2	19.0	19.9	20.7	21.2
	Composite governance indicators*	WB	-0.3	-0.4	-0.3	-0.2	-0.3	-0.2	-
	Political stability, index	WB	-0.3	-0.3	-0.3	-0.4	-0.5	-0.5	0.0

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

Analyst

Dennis Shen
+49 30 2218239-48
d.shen@scoperatings.com

Associate Analyst

Alessandra Poli
+49 69 8700 24798
a.poli@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Applied methodologies

[Sovereign Rating Methodology](#), January 2024

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
[scoperatings.com](https://www.scoperatings.com)

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