

Kingdom of Spain

This annex refers to the release of the monitoring note of 5 February 2021.

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bbb
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Strong
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Strong
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Weak
	Institutional and political risks	Neutral
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		A- NEG

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	26,565	28,273	30,579	29,993	26,832	31,178	33,209
Real GDP, % change	3.0	2.9	2.4	2.0	-12.8	7.2	4.5
CPI, % change	-0.2	2.0	1.7	0.7	-0.2	0.8	1.4
General government balance, % of GDP	-4.3	-3.0	-2.5	-2.8	-14.1	-7.5	-5.8
General government debt, % of GDP	99.2	98.6	97.6	95.5	123.0	121.3	120.4
Current account balance, % of GDP	3.2	2.7	1.9	2.0	0.5	0.9	1.3
Gross external debt, % of GDP	161.8	160.6	160.2	162.5	-	-	-

Source: Macrobond, IMF, Bank of Spain, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

5y USD CDS spread (bps) as of 3 February 2021

42

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scopeeratings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Spain	February 2021	Assessment	Rationale
Peers*	Portugal, Italy, Cyprus		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential
	Monetary policy framework	Strong	ECB is a highly credible and effective central bank; appropriate response to the 2020 global crisis; high weight in the GC's monetary policy decisions
	Macro-economic stability & sustainability	Neutral	Large and diversified economy; significant structural unemployment
Public finance risk	Fiscal policy framework	Neutral	Limited structural budgetary adjustments before the crisis; appropriate countercyclical response
	Debt sustainability	Neutral	Debt to remain elevated over the medium term; declining interest burden
	Debt profile & market access	Strong	Strong market access and solid investor base; safe debt composition with large central bank holdings
External economic risk	Current account resilience	Strong	Tourism exports temporarily weakened; resilience in non-tourism and non-energy trade surplus
	External debt structure	Neutral	Elevated debt stock, with meaningful shares by the government and central bank
	Resilience to short-term shocks	Neutral	Euro area membership shields against short-term external shocks
Financial stability risk	Banking sector performance	Neutral	Banking-system capitalisation remains sound, but profitability pressures
	Banking sector oversight	Neutral	Effective oversight under European Banking Union authorities and the Bank of Spain
	Financial imbalances	Neutral	High private indebtedness; no sign of credit-fueled growth
ESG risk	Environmental risks	Neutral	Exposure to natural disasters; ambitious commitment to achieve carbon neutrality by 2050
	Social risks	Weak	Adverse demographic trends, high income inequality and risk of social exclusion
	Institutional and political risks	Neutral	Some reform momentum on pensions and labour market, but fragmented parliament

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.