Sovereign Outlook 2025

Normalising economic fundamentals, rising fiscal pressures and geopolitical uncertainty balance the sovereign outlook

5 December 2024

Executive summary

Key themes for 2025:

A balanced sovereign sector outlook entering 2025:

Throughout 2024, sovereign rating actions were largely concentrated within the euro area, driving the sustained credit-rating convergence between core European and former crisis-affected countries. This trend was primarily driven by positive credit rating actions on lower-investment grade rated euro-area sovereigns and selective negative rating actions on highly rated core euro-area sovereigns. At year end, Scope's rated portfolio currently has two sovereigns – the United States and Belgium – on a Negative Outlook and five sovereigns – Bulgaria, Greece, Lithuania, Serbia and Türkiye – on Positive Outlook. This represents a significant shift compared with the previous year, where 10 sovereigns were on Negative Outlook against only two on Positive (**see Figure below**). That the majority of Outlooks are Stable underscores a balanced overall sovereign sector outlook for 2025.

US policy shifts raise significant risks for the sovereign outlook:

The expected policy shifts in the US after the re-election of Donald Trump as president are likely to prove crucial for the credit trajectory of the US and for sovereigns globally. Rated sovereigns most exposed to these shifts are those with an elevated trade surplus with and/or significant exports to the US (countries such as China, Germany, Japan and Ireland), significant dollar-denominated borrowings (such as emerging markets like Ukraine, Egypt, Türkiye), and/or an elevated dependence on US military aid, especially given the geopolitical tensions with Russia (Ukraine and Georgia). These dynamics could exacerbate credit risks reshaping sovereign risk globally.

Moderate growth and diverging central bank polices drive financial stability concerns:

Our baseline has been for a soft landing for the global economy despite the fastest rise of interest rates on in modern times. Nevertheless, medium-run risks for global economic growth are increasing. Persistent core inflation could necessitate prolonged higher steady-state rates leading to elevated global borrowing rates. Potential corrections in overvalued financial markets alongside increased de-regulation in the US in 2025 increase financial stability risks. The interplay of these factors poses challenges for macroeconomic stability.

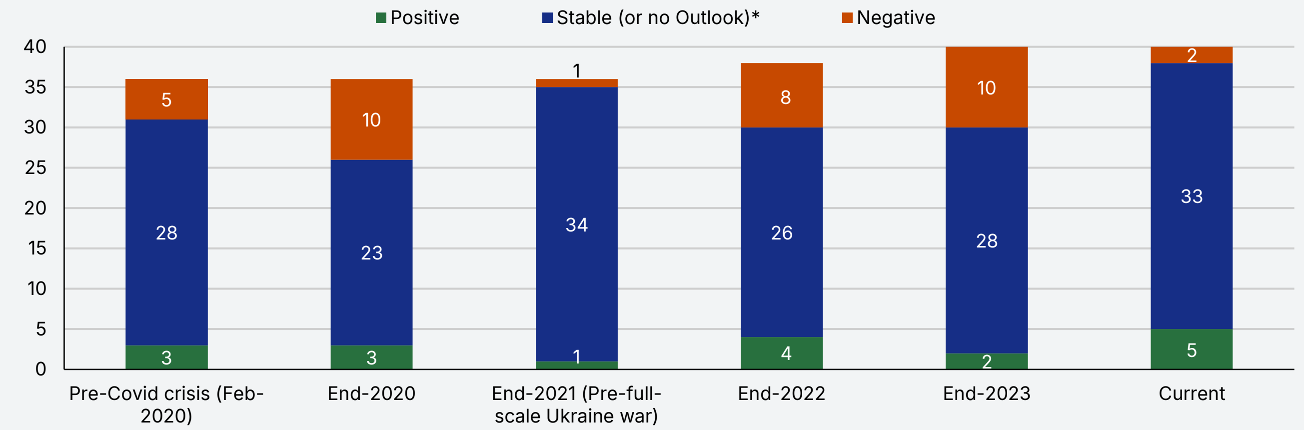
Elevated public debt and rising interest payments challenge the fiscal outlook:

In 2025, fiscal resilience will rely heavily on governments' capacity to navigate rising debt-servicing costs, address structural policy reform, and prioritise investment balancing short-run stability with longer-term challenges. Governments with stable parliamentary majorities and strong reform mandates will be better positioned to address sustained fiscal imbalances in coming years. The management of elevated public debt will play a critical role in determining sovereign credit-rating trajectories.

Our country-specific views for 2025 for each of 40 publicly rated sovereign governments by Scope are summarised here.

Key economic assumptions are available in Tables 1 and 2 of Annex I.

Figure 1: Scope sovereign rating Outlooks, number of sovereigns



*No rating Outlook currently assigned on Ukraine in selective default. Displayed are Outlooks on long-term issuer ratings in foreign currency. Source: Scope Ratings.

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1. Key Themes for 2025

1.1 A balanced sovereign outlook

In 2024, of 40 publicly rated sovereigns[1], we upgraded six, downgraded five, and revised the Outlook upwards for nine sovereigns. Among the rating upgrades, five were on euro-area sovereigns, one was on Türkiye. The downgrades included four euro-area sovereigns while one was on Ukraine. The nine sovereigns benefitting from upwards outlook changes were evenly split between the euro area (Croatia, Greece, Lithuania, Portugal and Spain) and countries outside the EU (Egypt, Japan, Serbia and Türkiye).

Convergence of euro-area sovereign ratings

Most of the rating actions year to date have focused on euro area sovereigns, driving further convergence between core and peripheral Europe. Positive credit rating actions were taken on lower-investment grade sovereigns alongside select negative rating actions on highly rated core euro-area sovereigns.

This trend reflects progress on national reform agendas but also in European burden sharing mechanisms within the region and innovations by the European Central Bank, which has strengthened its role as the euro area's lender of last resort. These measures particularly those countering aggregate and asymmetric crises, are credit positive for euro-area sovereign ratings overall, providing support to the credit standings of the most-vulnerable euro-area sovereigns.

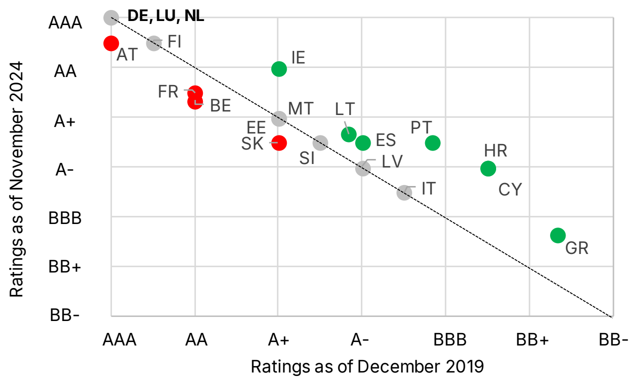
In 2024 we downgraded Austria (to AA+), Estonia (A+), France (AA-) and Slovakia (A) and upgraded Croatia (to A-), Cyprus (A-), Ireland (AA), Portugal (A) and Spain (A). In addition, we revised Outlooks to Positive for Greece (BBB-) and Lithuania (A).

Sovereigns that experienced credit events (Greece, Cyprus), or received multi-lateral assistance during the euro-area sovereign crisis such as Greece, Cyprus, Ireland, Portugal and Spain, are benefitting from past and present national and European reform efforts. This contributes to strengthened macro-economic fundamentals, returning sovereigns to balanced primary accounts or even primary budgetary surpluses following the pandemic and cost-of-living crises. The continued reform momentum has advanced robust public-debt deleveraging, aided by elevated inflation recently, and reduced credit spreads.

Conversely, select higher-rated euro-area sovereigns, except for AAA-rated Germany and the Netherlands, have so far been unable to consolidate public finances and reverse the increases of their public debt incurred during the pandemic crisis. This has contributed to downgrades of euro-area sovereigns this year such as the case of France – facing continued political uncertainties and risks to fiscal sustainability. Although the recent sell-off in French markets has been largely idiosyncratic, if the crisis should deepen, this may pose spill-over risks for the broader euro area.

We observe a convergence of the credit-rating spread between the 20 investment-grade euro-area sovereigns (**Figure 2**), with today three rated AAA, five falling under an 'aa' class, 10 within a 'single-a' ratings space, and only Greece and Italy (BBB+) remaining at the 'bbb' grade.

Figure 2: Euro-area sovereign ratings, 2019 versus today



Displayed are long-term issuer ratings in foreign currency. Calculated based on an alpha-numeric conversion on a 20-point scale from AAA (20) to D (1). Positive/Negative Outlooks are treated with a +/-0.33 adjustment. Credit Watch positive/negative with a +/-0.67 adjustment. Source: Scope Ratings.

Rating actions outside of the euro area have leaned to the upside this year, the exception being Ukraine in default

Beyond the euro area, Ukraine's rating was downgraded to SD (selective default) on long-term debt in foreign currency to firstly reflect a temporary moratorium on Eurobond debt servicing by this August and subsequent external debt restructurings.

Conversely, we upgraded Türkiye (B) following important policy reversals at the central bank. In addition, we revised the Outlook to Positive on Serbia (BB+) reflecting improved macro-economic fundamentals, and revised Outlooks from Negative to Stable on Japan (A) and Egypt (B-). Overall the favourable rating actions taken on emerging-market sovereigns this year align with our assessment a year ago of a degree of relief for emerging-market sovereigns.

A balanced sovereign outlook for 2025

Following these rating actions, the portfolio currently has (only) two sovereigns on a Negative Outlook – specifically the United States (long-term debt rated AA) and Belgium (AA-) – alongside five sovereigns rated on Positive Outlook: Bulgaria (BBB+), Greece, Lithuania, Serbia and Türkiye.

[1] Of which 20 are Member States of the euro area and seven being non-euro EU.

This marks a significant reset. At end-2024 there were 10 sovereigns on a Negative Outlook against two on Positive. That most Outlooks are on Stable underscores a balanced sovereign sector outlook entering the coming year. Out of the 40 publicly rated sovereigns, 33 are currently investment-grade rated and seven are sub-investment-grade (the latter all reflecting emerging markets). Annex II presents a summary of our ratings and rating actions taken year to date.

1.2 US policy shifts pose significant risks for the sovereign outlook

Despite most sovereign ratings being on Stable Outlook entering 2025, the re-election of Donald Trump as president in the US combined with Republican majorities within the chambers of Congress raise significant uncertainties for the sovereign outlook.

The anticipated shift of US foreign, financial, economic, fiscal, trade, immigration, and energy policies are foreseen proving crucial not only for the credit trajectory of the United States but that of sovereigns globally.

MAGA vs Wall Street & Silicon Valley

Critically, in his second term, president-elect Trump faces fewer institutional checks and balances compared against his first administration, at least until after mid-term elections in November 2026. In addition, as Trump cannot run for a third term under the Constitution, he does not have to worry about re-election, further reducing policy constraints. His room for manoeuvre has been further widened by gaining immunity for official actions by the US Supreme Court, and his significant influence over the national judicial system.

At the same time, some members of his administration and pressure from more moderate Republican members of Congress and governors, as well as important donors from Wall Street and Silicon Valley, might rein in some of his more populist policy inclinations. In this context, the effects of US policy shifts on global sovereign ratings hinge on policies enacted from next year, each sovereign's – or region's – policy responses, as well as the factors supporting any given sovereign rating at the prescribed rating level.

The rating challenge will be to strike the right balance between timely, forward-looking rating assessments reflecting (anticipated) enaction of government policy and the associated effects for long-term credit risk, while incorporating the impact of potential policy reversals and responses.

Rated sovereigns most exposed to such potential policy shifts are those having either an elevated trade surplus with and/or significant exports to the US (such as China, Germany, Japan and Ireland), significant dollar-denominated borrowings (emerging markets like Ukraine, Egypt, Türkiye), an elevated dependence on US military protection (such as members of NATO) and military aid, especially given geopolitical tensions with Russia (crucial for countries such as Ukraine and Georgia).

Figure 3: Key risk channels to potential US policy shifts

Trade surplus with / High exports to US	USD-denominated borrowings	US military protection
China Germany Japan Ireland	Emerging markets Ukraine Egypt Türkiye	Ukraine Georgia

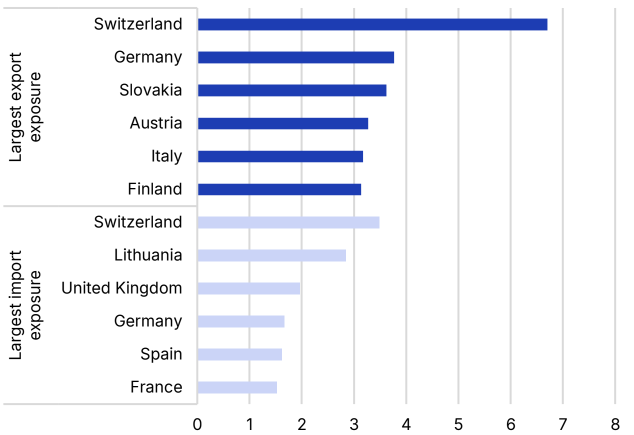
Source: Scope Ratings

President-elect Trump has committed to meaningful tariffs

In the aftermath of campaign commitments of across-the-board 10% tariff hikes and 60% or above for China, president-elect Trump recently promised first-round tariffs of an added 10% for China and 25% on neighbouring countries Mexico and Canada – tying the measures to the administration's broader goal of securing the US's borders.

With respect to Europe, Germany is likely among the most adversely affected economies due to the risk of direct tariffs on EU-based exporters and the effects on supply chains under the likely escalation of US-China trade tensions. These tensions imply negative spill-over effects for advanced and emerging-market economies. The final impact on economic growth and inflation will depend on the size, timing and scope of the tariffs.

Figure 4: Trade with the US, % of GDP



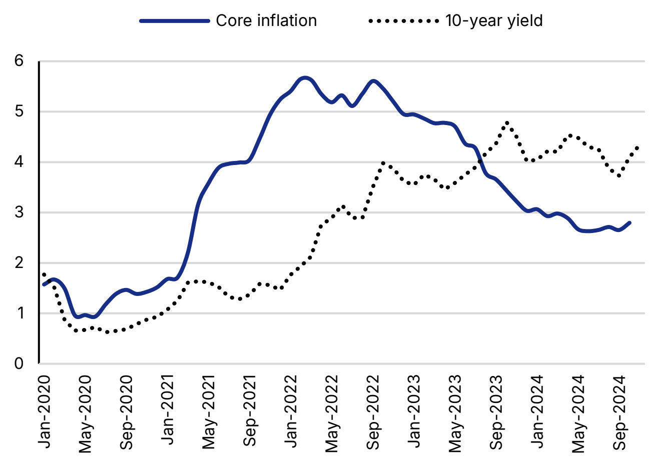
Note: rolling four-quarters to Q2 2024. Excludes Ireland, Belgium and the Netherlands to account for distortions related to contract manufacturing flows and large port activities. Source: IMF DOTS, Scope Ratings.

Tax cuts, immigration, deregulatory policies are inflationary

As the next US administration plans significant tax reductions and further easing of an already expansionary fiscal position, this has led to significant rises in US borrowing rates. Inflationary pressures may also arise from the changes of US migration policies, especially if this leads to the deportation of workers, alongside the promised increase in trade tariffs.

Hinging on the scope and timing of such policies, the Federal Reserve is likely to be forced to retract some of the rate cuts previously communicated to capital markets. A more hawkish Federal Reserve and Trump's America-first policy are set to strengthen the dollar and raise US-dollar borrowing costs and refinancing rates for dollar-denominated debt, especially for emerging-market sovereigns.

Figure 5: US borrowing rates and core inflation

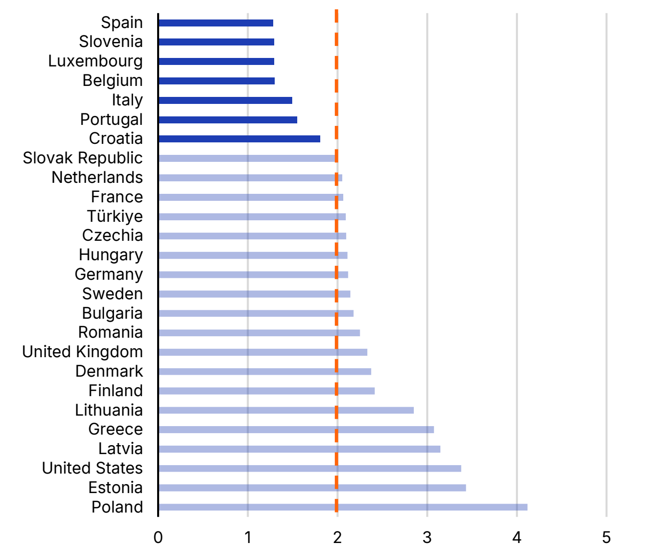


Note: Core inflation as measured by year-on-year change in the PCE index, excluding food and energy (seasonally adjusted). 10-year yield displays monthly averages. Source: US Bureau of Economic Analysis, US Federal Reserve, Scope Ratings.

Isolationist US set to push European defence expenditure

Geopolitically, should the next US administration weaken its support for NATO and restrict military aid for Ukraine, Europe might face significant strategic and fiscal stress. This could see pressure for more government spending, complicating strained fiscal-consolidation efforts.

Figure 6: NATO alliance defense expenditure, 2024E, % of GDP



Note: Only sovereigns within Scope's publicly rated universe are displayed. Source: NATO, Scope Ratings.

In this context, European members of NATO will be under more intense pressure to meet or exceed their nominal commitment to spend 2% of GDP on defence, both to appease the Trump administration and deter potential aggression from Russia.

Climate and energy policy reversals may lower energy prices near-term but increase physical risks long-run

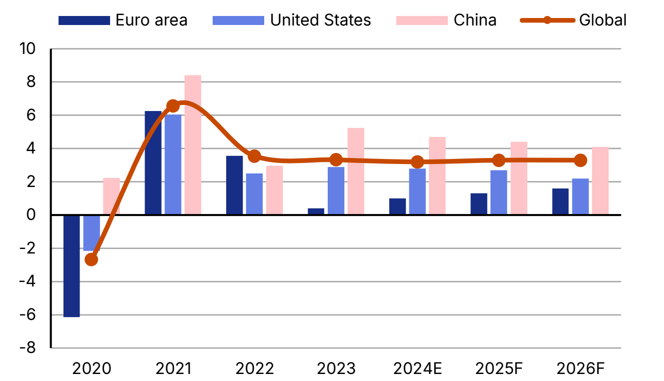
If, in line with campaign commitments, the US increases fossil-fuel energy production – without raising tensions with oil-exporting Iran – energy prices might decline in the near term. This could support the economies of energy-importing EU countries, especially those relying on energy-intensive industries, such as Germany, while exerting adverse fiscal pressures on sovereigns of energy-exporting nations. Effectively, this would partially reverse the terms-of-trade shock following Russia's invasion of Ukraine.

At the same time, a reversal of US climate and energy policies may lead to high emissions of greenhouse gases not just from the US but also from other countries where governments might opt to slow or even reverse efforts to rely more heavily on renewable energy. Unless the innovation of carbon-neutral technologies and/or nuclear-energy production accelerate, the potential reversals of US climate commitments might result in more elevated long-term natural-disaster risks for sovereigns most exposed to the effects of climate change.

1.3 Moderate growth and diverging central bank policies drive financial stability concerns

Our baseline has been for a soft landing of the global economy after the sharpest rise in interest rates in modern times. We expect around 3.3% global economic growth for 2025 and 2026, broadly in line with the 3.2% this year. However, medium-term downside risks to the global expansion have increased, while Europe's contribution to global growth has fallen markedly.

Figure 7: Global growth, %, 2020-26F



Source: Eurostat, national statistical agencies, Scope Ratings forecasts

The US economy will expand at an above potential 2.7% next year and 2.2% in 2026, after a strong estimated 2.8% this year. By contrast, the euro-area recovery has weakened, driven by the region's faltering manufacturing sector and a sluggish German economy.

Within Europe, growth in the euro-area periphery continues to outperform. Growth in Europe will moderately recover next year after the subdued activity this year – despite stagnation in the German economy next year. The UK economy is set to grow at a moderate 1.5% next year and in 2026, after around 0.9% this year. Labour markets stay tight across the advanced economies, ensuring upward pressure on prices.

Risks that rate of disinflation may slow

Our expectation since 2021 has been for inflation to stay high for longer, above the low rates prevailing before the Covid pandemic. As inflation continues to moderate from 2022 highs, it will still average around or above 2% across most economies next year, as inflation declines across multiple economies but remains stickier in others.

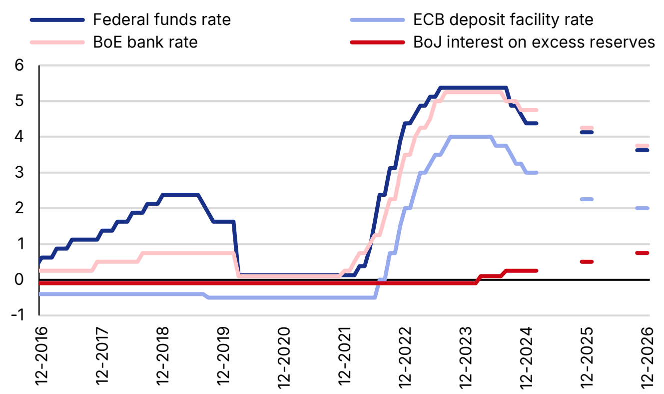
Recent declines in oil prices and easing of supply-chain bottlenecks, combined with still-tight monetary policies and decelerating economic momentum within Europe have contributed to falls in inflation.

Nevertheless, inflationary pressures remain including from elevated wages, core and domestic-services-sector inflation, a resilient global economy and tight labour markets, tariff threats, and possibly higher energy prices given the tight supply of gas in Europe this winter.

Higher neutral interest rates, some central bank divergence

Given these inflationary pressures, central banks are unlikely to ease monetary policy to the degree seen before the pandemic, ensuring higher steady-state rates are likely here to stay.

Figure 8: Policy rates, %, with forecasts



Source: Respective central banks, Scope Ratings.

Some central banks such as the ECB might have greater space for reducing rates further than the Federal Reserve due to Europe's weaker economic outlook and the structurally lower rates of euro-area inflation.

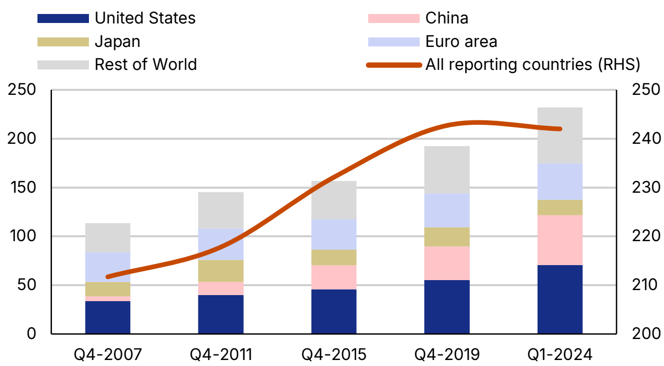
This presents a degree of *divergence* in global monetary policy for 2025. As they trim rates, central banks will also consider scaling back the pace of quantitative tightening.

Risks for financial stability near- and medium-term

Higher borrowing rates for longer, elevated prices on financial markets alongside the incoming Trump administration's promised deregulatory push in the US may present risks for financial stability. Non-financial-sector debt globally remains near highs reached during the pandemic, standing at USD 232trn most recently Q1 2024, equivalent to 242% of GDP (**Figure 9**). Although non-financial corporates have typically weathered recent crises well, the high rates curtail debt-servicing capacity.

Bankruptcies generally remain low compared with historical averages – but they have risen of late. Default risks may be especially pronounced within the sectors most affected by the pandemic and cost-of-living crises as governments reduce support for households and businesses.

Figure 9: Credit to the non-financial sector
USD '000 bn (LHS), % of GDP (RHS)



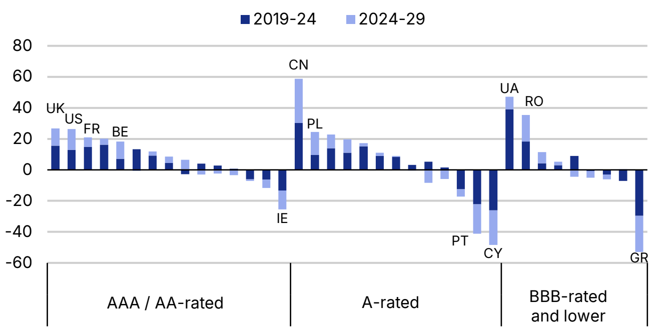
Source: Bank for International Settlements, Scope Ratings

Commercial real estate firms are facing significant challenges. Interlinkage of bank and non-bank financial players in the sector might act as an amplifying factor in the event of any wider distress. More broadly, liquidity and leverage vulnerabilities in non-banks pose a risk of heightened volatility in financial markets should downside risks materialise.

1.4 Elevated public debt and rising interest payments challenge fiscal outlook

Fiscal resilience will depend heavily on governments' capacity to navigate rising debt-servicing costs, address structural policy reforms, and prioritise investment balancing short-run stability with longer-run challenges.

Figure 10: Debt-to-GDP changes between 2019-24 and Scope forecasting until 2029



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

The recent economic shocks – the pandemic, the escalation of the Russia's war in Ukraine, and resulting supply-chain disruption and energy crisis in Europe – have exacerbated the structural weaknesses of sovereign borrowers. The budgetary measures to mitigate such challenges have increased general government debt ratios across most Scope-rated sovereigns between 2019 and 2024. Rather than returning to pre-pandemic levels of debt, many sovereign states – regardless of the level of their credit rating – are today facing a continuation of the debt trends observed during the previous five years (**Figure 11**).

Sovereigns that have successfully trimmed debt-to-GDP ratios often owe such progress to structural reforms adopted before the pandemic. Many such governments will continue recording further declines of their public debt ratios. Notable examples include Ireland, Portugal, Cyprus, and Greece, all of which received positive credit rating actions during 2024.

By contrast, sovereigns experiencing rising general government debt ratios during the last five years – and projected to see this trend continuing – such as highly-rated sovereigns like the UK, the US, France and Belgium, alongside lower-rated investment-grade sovereigns such as China, Poland, and Romania – have seen more challenging ratings migration.

Higher refinancing costs add to budgetary pressures

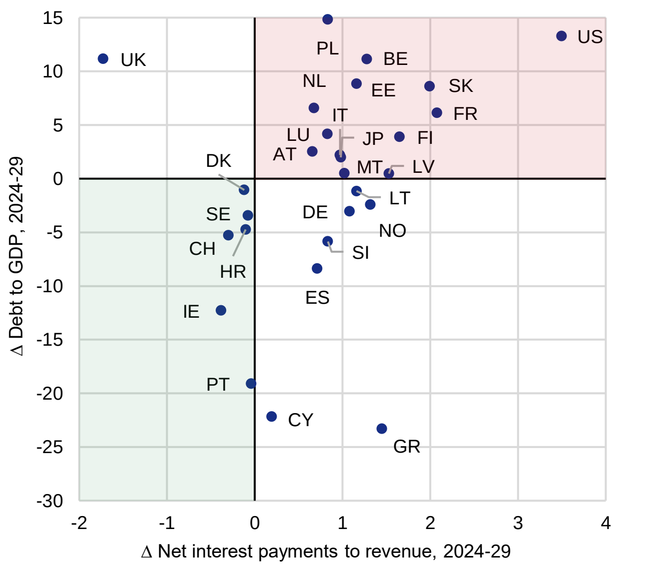
Although many central banks have begun reducing official rates, interest rates remain high. The higher refinancing costs are adding to budgetary pressures, with most sovereigns to see a gradual rise in interest expenses over the coming years as existing debt is refinanced (**Figure 12**).

For most European sovereigns, interest payment burdens are set to increase during 2024-29. Notable exceptions here include Ireland, which continues to run significant budgetary surpluses fueled by elevated corporate tax revenue.

The growing budgetary burdens of many governments coincide with an increasing expenditure demand of an ageing population, alongside spending on national defence and on funding of digital and climate transitions. Increasing domestic political pressures for postponing or abandoning specific climate-related investments may further complicate the efforts of some governments targeting ambitious net-zero objectives.

In addition, demographic shifts intensify the need for healthcare and pension reforms as the share of retirees continues increasing. These structural pressures will force governments to eventually confront trade-offs between sustaining their welfare systems, investing for the future and enhancing defence, raising taxes and reassuring financial markets about debt sustainability.

Figure 11: Change in debt-to-GDP and change in net interest payments as a share of general government revenue, advanced economies, 2024E-2029F



Source: Eurostat, IMF WEO, Scope Ratings forecasts

The EU has re-introduced its fiscal rules

Under the EU's revised fiscal rules, the European Commission (EC) has launched Excessive Deficit Procedures against seven Member States earlier this year: Belgium (AA-/Negative), France (AA-/Stable), Hungary (BBB/Stable), Italy (BBB+/Stable), Malta (A+/Stable), Poland (A/Stable), and the Slovak Republic (A/Stable). Romania (BBB-/Stable) remains under an existing procedure since 2020. While such procedures may partially enforce greater fiscal prudence, governments with stable parliamentary majorities and a clear mandate to reform are essential to address the sustained fiscal imbalances and ensuring long term fiscal sustainability.

2. Regional Views for 2025

2.1 Euro area

Sovereign	Long-term issuer rating and rating Outlook in foreign currency	What we are watching entering 2025
Austria	AA+/Stable	• After the September-2024 national elections, Austria is likely to have its first three-party coalition government including the centre-right People's Party, the Social Democrats and Liberals. A key focus for the next government will be on stimulating the domestic economy and addressing structural economic challenges, such as the long-run sustainability of pensions and health care, alongside economic competitiveness. • The budget for next year and the medium-run fiscal-structural programme will be critical for defining a credible fiscal-consolidation path and determining Austria's rating trajectory, following the one-notch downgrade this year to AA+ from AAA.
Belgium	AA-/Negative	• Since negotiations stalled following the legislative elections held in June 2024, the primary focus remains on the capacity of political parties to form a stable coalition government and unveil a fiscal-consolidation programme to contain wide budget deficits and rising public debt. This will prove decisive for Belgium's credit ratings next year. • Our confidence in the next government coalition executing budgetary plans against moderate growth prospects will furthermore prove crucial for the ratings.
Croatia	A-/Stable	• After we upgraded Croatia this year to A-, we anticipate continued strong economic momentum entering 2025, driven by private demand, wage increases and public investment, supported by Next Generation EU (NGEU) fund absorption. Still, as a small, open economy, Croatia will stay susceptible to external-sector developments. • The continued absorption of NGEU funding and adoption of reforms remain priorities for any consideration of further upside for this rating. This could help address challenges of only moderate economic diversification and an adverse demographic outlook.
Cyprus	A-/Stable	• Following the upgrade of the long-term ratings during October of this year, the Stable Outlook acknowledges sustained primary fiscal surpluses, declining government debt and a robust economic outlook. However key priorities include diversifying the economy, re-balancing external-sector accounts and tackling lingering financial-sector vulnerabilities. • Geopolitical tensions in eastern Europe and the Middle East remain important in view of Cyprus' high dependency on energy imports.
Estonia	A+/Stable	• After weak economic growth, the economic outlook should gradually improve, despite weak consumer demand, fiscal drag and uncertain external-sector conditions. • Authorities aim at addressing the recent weakening of fiscal metrics, but structural expenditure rises (notably for spending on social and defence policies), persistent counter-inflation spending pressures and low growth hinder budgetary consolidation. This presents a further ratings challenge following downgrade this year of Estonia to A+.
Finland	AA+/Stable	• Finland's credit ratings face a challenging outlook with rising debt-to-GDP for the forthcoming years. The government has already signaled its determination to consolidate public finances, but additional measures will be needed to reverse the debt trajectory. • After two years of contracting, economic growth is anticipated to pick up during the next two years. Still, there continue to be downside risk for Finland's export-driven economy amid forthcoming trade conflicts between the United States, China and Europe, as well as weak economic outlooks of core regional trading partners such as Germany.
France	AA-/Stable	• After the downgrade to AA- in October, we continue to focus on the government's capacity to execute budgetary consolidation aimed at narrowing the budget deficit. • Fiscal slippage remains a downside risk affecting the ratings as a challenging political and social outlook increases the risk of the parliamentary opposition overthrowing the government, with the next planned legislative elections to be called only by July of next year at the earliest.
Germany	AAA/Stable	• After collapse of the coalition government in November 2024, Germany plans snap elections in February 2025, with polls indicating a likely Christian Democratic Union-led government. The snap elections will delay the finalisation of the 2025 Budget, likely until the second half of next year. The next government will need to balance budgetary discipline under the debt brake against social and defence spending priorities, and higher investment for maintaining international economic competitiveness. • Germany's structural economic pressures continue to rise. This includes demographic decline, investment needs to meet significant climate objectives, concerns of a gradual de-industrialisation within some industries, and elevated structural vulnerabilities to supply chain disruptions given gradual de-globalisation and rising geopolitical tensions. • US trade policy will prove important for the near-term economic outlook. Direct US tariffs against German exports and the implications of a US-China trade war weigh on the outlook.

Greece	BBB-/Positive	• Scope assigned a Positive Outlook on Greece's credit ratings in July with the next review scheduled for 6 December. This review will consider falling public debt, improvements of the resilience of the Greek banking system, and structural reforms against still elevated government debt and a history of crises. Our baseline is for primary budget surpluses to be sustained over the coming years – supporting the rating trajectory. • Greece's general government debt ratio will decline to 145% of GDP by the end of next year and 132% of GDP by the end of 2029 from the 155.3% estimated for end-2024. If achieved, the 2029 figure might represent Greece's lowest debt-to-GDP ratio since the debt crisis in 2010 and fall below that of Italy (rated a higher BBB+) by 2027. • We are watching for signs that system-wide capital adequacy further strengthens, the attenuation of the sovereign-banking inter-linkages as the Hellenic Financial Stability Fund sunsets, and whether government might address the gradual weakening of the structure of government debt. Greece is financings itself more on capital markets than with concessional official-sector lending and is repaying bailout loans early in the context of the ECB's quantitative tightening.
Ireland	AA/Stable	• The next coalition government after the general elections on 29 November 2024 will need to tackle Ireland's significant domestic challenges including acute housing shortages and the high cost of living. • Ireland has benefitted from very elevated corporate tax revenues in recent years, resulting in a strong fiscal position and the design of two new long-term government savings funds. This supported a ratings upgrade earlier this year to AA. It will prove important for the next government to limit public-sector expenditure growth for avoiding the overheating of the economy. • Corporate tax revenues are crucial for government finances with just three firms contributing around 43% of all corporation tax collections. The concentration of large US tech multinationals exposes Ireland to any sudden changes of US trade and investment policies. The openness of the economy and the scale of financial and non-financial debt increase exposures to risks that affect the global economy and global financial risks.
Italy	BBB+/Stable	• The government's capacity to achieve its fiscal objectives announced with the aim of exiting an existing EU Excessive Deficit Procedure by 2026 remains a core area to monitor entering 2025. This requires an implementation of a mix of revenue-raising policies alongside targeted departmental spending reductions. • The successful adoption of reforms under the national recovery and resilience plan (NRRP) will prove crucial for the longer-run economic outlook. We anticipate an acceleration of NRRP-related spending under loans and grants allocated amounting to EUR 194.4bn by the end of 2026, of which around EUR 52bn has been spent thus far. • Italy's public debt ratio will stay high over the next years (projected with a broadly flat trajectory until 2029 at around 138.1% of GDP), making public finances vulnerable to significant external crises and crises of market confidence in indebted sovereigns.
Latvia	A-/Stable	• The budgetary deficit of Latvia is anticipated to stay moderately high medium run, as persistent spending pressures, declining dividend payments from state-owned companies and the effects of the 2024 labour-tax reform weigh on authorities' fiscal-consolidation objectives. • Economic momentum is forecast to pick up progressively over years 2025-26 supported by private consumption dynamics, although downside risks dominate medium-run economic uncertainties in view of recently announced tax hikes, the challenging external conditions and the delays in the execution of public-sector investment projects.
Lithuania	A/Positive	• A comparatively-robust economic outlook, moderate levels of public debt and a sound budgetary trajectory underpinned a September-2024 change of Lithuania's credit Outlook to Positive from Stable, although challenging geopolitical and regional-growth conditions alongside uncertainties following general elections affect the medium-run macro-fiscal outlook. • The government formation process following October-2024 legislative elections remains ongoing – with Gintautas Paluckas approved by the Seimas (parliament) as the prime minister. The inclusion of controversial junior coalition partners may weigh on government stability next year.
Luxembourg	AAA/Stable	• The persistence of inflation-related expenditure pressures, the adoption of fresh economic support measures and a commitment to maintaining public investment at elevated levels keep the government deficit above its historical averages. Nevertheless, the health of public finances is anticipated to stay very strong compared against that of sovereign peers – supporting AAA ratings. • Resilient household consumption, recovering private investment and a supportive fiscal stance drive an acceleration of growth medium run, although uncertainties on the global financial markets and trade developments add downside risks for the outlook on the economy.
Malta	A+/Stable	• After the affirmation of the ratings during August of this year, the main themes for next year include: i) the degree to which strong recent economic growth is sustained, with Malta currently projected as among the strongest-growing economies of the euro area; and ii) the withdrawal of energy-support policies for support narrowing an out-sized budget deficit. • Further progress around reforms associated with the EU Recovery and Resilience Plan will be critical for the ratings trajectory in addressing labour-market shortages and tackling climate-associated challenges and the costs of demographic ageing.

Netherlands	AAA/Stable	• The recovery in private demand and lower inflation support growth of the Netherlands. Nevertheless, the decline in inflation will prove more gradual for the economy compared against that of other European economies, partially due to elevated wage growth. Although ECB rate cuts and resultant support for euro-area growth will positively affect exporting sectors, the Dutch economy is likely to encounter challenges from rising geopolitical risks. • Rising interest payments and budgetary spending pressure – particularly on healthcare, social security, defence, and infrastructure – should result in a higher headline budget deficit, reaching 3% of GDP by 2028. Additionally, debt levels are seen increasing, although staying below the 60% Maastricht threshold over the forecast horizon.
Portugal	A/Stable	• Scope upgraded Portugal's rating to single-A in November of 2024 and revised the associated credit Outlook to Stable from Positive. The adoption of the 2025 Budget, the effects of youth tax incentives on emigration patterns and tourism-sector performance are crucial for the economic outlook moving ahead. • The minority government's capacity to pass legislation and maintain parliamentary support is crucial for the political outlook. • Progress on renewable energy projects and enhancing energy efficiency might curtail the trade deficit in energy, although the economy's reliance on exports and tourism continue to highlight vulnerabilities to global economic crises.
Slovakia	A/Stable	• Following the downgrade of Slovakia's credit ratings during February of this year, the government outlined fiscal-consolidation steps for trimming a significant budget deficit and containing briskly-rising public debt. Important factors affecting the credit ratings entering 2025 include the implementation challenges for budgetary consolidation given a current three-party coalition government. • The relations of Slovakia with European institutions around the rule of law will also prove key for the ratings given implications for the continued disbursement of European funding.
Slovenia	A/Stable	• Following the affirmation of Slovenia's credit ratings in July of this year, the attention for the ratings next year will rest on the capacity of the government to advance budgetary consolidation despite elevated public investment requirements, such as for climate risk mitigation. • Policy measures tackling supply-side constraints for the labour market and countering rising ageing costs will as well prove important ahead of parliamentary elections due April 2026.
Spain	A/Stable	• After Scope upgraded Spain in September of this year, we anticipate continued budgetary consolidation next year, including the adoption of tax reforms and the use of EU Recovery funding for bolstering investment and productivity – anchoring continued above-potential economic growth. The full budgetary effects of November-2024 flooding in the region of Valencia should also become clearer. The headline budget deficit will fall to 3% of GDP next year and public debt is forecast to fall below 100% of GDP by 2026. • There may be potential policy shifts and/or challenges for the coalition government's policies on regional autonomy, especially pertaining to Catalonia, and effects for the sub-sovereign framework and national cohesion. • Progress is set to continue in renewable energy adoption meeting EU objectives and labour-market reforms addressing elevated unemployment, especially among youth.

2.2 EU non-euro central and eastern Europe

Sovereign	Long-term issuer rating and rating Outlook in foreign currency	What we are watching entering 2025
Bulgaria	BBB+/Positive	• The coalition formation after another round of parliamentary elections during October of this year, and/or even another call for early elections for next year is critical. • Progress around euro-area accession is key for upside for the credit rating, driving the Positive Outlook assigned for the ratings. We foresee euro-area accession by 2026 at the latest.
Czech Republic	AA-/Stable	• The significant exposures to further global supply chain disruption and dependence on energy-intensive sectors is something we are closely watching entering 2025, particularly any disruptions affecting the nation's automotive sector. This links to the economy's vulnerabilities to global crises more generally. • Parliamentary elections scheduled for autumn 2025 are an area for monitoring. • The capacity of Czechia to balance environmental commitments with economic considerations will prove crucial for the coming years.
Hungary	BBB/Stable	• The developments in the relations with the European Union, particularly as concerns rule-of-law conditions linked to EU funding disbursements and implications for fiscal stability, are crucial for the ratings considerations next year. This considers elevated outstanding budget deficits due to significant interest payments, constraining budgetary flexibility. • The continued challenges from still-high inflation and the central bank's capacity to maintain monetary stability while supporting economic growth and debt sustainability. • The economy's reliance on Russian energy and how outstanding geopolitical tensions may affect energy security and trading dynamics necessitate the accelerated adoption of economic-diversification strategies.
Poland	A/Stable	• The capacity of the government to address a weakening budgetary outlook with elevated general government deficits projected above 5% of GDP through 2028, an outstanding Excessive Deficit Procedure since this July and public debt rising to 70% of GDP by 2029 (from the below 50% as of end-2023). Failure to improve the adverse debt trajectory may present challenges for the Stable credit Outlook by 2025. • The outcome of presidential elections next May between mayor Rafał Trzaskowski of the pro-European governing coalition and Karol Nawrocki of opposition Eurosceptic Law and Justice (PiS) might signal whether the current four-year term of President Donald Tusk is a brief respite from what is a longer-run deteriorating trajectory concerning institutions and the rule of law or whether last year's historic elections were the start of a fundamentally different institutional trajectory. • The confrontation after the government sought the dismissal of National Bank of Poland president Adam Glapiński due to allegations president Glapiński and PiS compromised the independence of the central bank may come to a head next year. This may signal whether challenges for the effectiveness and credibility of central-bank policy might be addressed or are here to stay, which is critical for the rating trajectory.
Romania	BBB-/Stable	• The outcome of parliamentary elections on 1 December 2024 and presidential elections on 8 December (the second round) alongside associated government formation will prove decisive for ratings considerations for Romania next year. • The challenging and weakening fiscal path, specifically proposed budgetary-consolidation measures, with the general government fiscal deficit projected to exceed 7% of GDP next year and in 2026 and public debt thus forecast to rapidly rise reaching 70% of GDP by 2029 from the 49% as of last year.

2.3 Non-euro western Europe

Sovereign	Long-term issuer rating and rating Outlook in foreign currency	What we are watching entering 2025
Denmark	AAA/Stable	• The easing of central-bank official rates, anticipated to reach 1.85% by the end of 2025, helps alleviate households' debt-servicing burdens. The exposure to the real-estate sector remains a core vulnerability for Danish banks next year, although fluctuations in housing prices are likely to be mitigated by the property tax reform introduced this year. • We see general government debt remaining at low levels around 31% of GDP for the forthcoming five years, anchored by headline budgetary surpluses. Budgetary policy is likely to be eased only gradually allowing for the financing of defence, health-care and long-term care spending, and the adoption of the green transition.
Norway	AAA/Stable	• Norway remains well anchored at the AAA; nevertheless, the economy continues to see significant sectoral discrepancies. Although petroleum-related sectors are seeing high activity as Norway is a core supplier helping to make Europe less reliant on Russia, the domestic construction sector is struggling due to elevated interest rates. We anticipate stronger mainland GDP growth for next year, supported by rising consumption driven by higher disposable incomes, eventual interest-rate cuts and rises in government spending. • Unlike many other central banks, Norges Bank has opted against policy-rate cuts this year due to concerns around elevated inflation pressures resulting from high labour costs and the weak krone. Nevertheless, we foresee the first interest-rate cut during the first half of 2025 as domestic inflation declines and other central banks continue adopting gradual policy-rate reductions.
Sweden	AAA/Stable	• Swedish growth is anticipated to pick up next year from this year's tepid growth as Riksbank continues rate cuts. Output growth will hinge on rising consumption as household incomes increase due to lower mortgage rates and higher real wages, further supported by elevated government spending. • Sweden's strong fiscal framework ensures public-debt ratios are well anchored at one of the lowest levels in Europe, averaging around 35% of GDP over the next five years – supporting the AAA.
Switzerland	AAA/Stable	• We foresee economic and fiscal outlooks of Switzerland remaining supportive of the credit's AAA standing. Output growth is projected around 1.3% next year, and the general government surplus is expected at 0.7% of GDP. This sees a decline of the public-debt ratio to a forecast 31.9% of GDP by end-2025, from 33.3% estimated at end-2024. • The Swiss National Bank (SNB)'s policy rate ought to remain stable at 0.75%, given very low expected inflation. Furthermore, SNB dividends should resume, bolstering the public finances of the Confederation and Swiss cantons. • We foresee Swiss-EU negotiations advancing – which is credit positive as the EU is the largest single trading partner of Switzerland.
United Kingdom	AA/Stable	• Scope affirmed the UK's AA sovereign ratings this October. Stronger economic growth given the pro-growth agenda of the governing Labour Party is an area to follow. Our projections signal moderate output growth of 1.5% for 2025 and 2026. If realised, such growth might fuel some criticism of the government's performance falling short of pre-election commitments for growth to outpacing that of other G7 economies. • The execution of the Labour government's Autumn Budget and the fiscal programme for the next five years will inform whether the ratings remain at AA. Any under-performance of revenue objectives by next year may necessitate further tax rises and/or higher borrowing. • The lack of stringent fiscal rules highlighted by the seventh adjustment since 2011 adds to post-Brexit fiscal challenges. The volatility in gilt yields recently is another area to watch, reflecting perceptions of growing risk for debt sustainability, with general government debt likely to rise above 110% of GDP by 2028.

2.4 Major global sovereigns

Sovereign	Long-term issuer rating and rating Outlook in foreign currency	What we are watching entering 2025
China	A/Stable	• The continued rise of debt at the local-government level is a downside risk for China's sovereign rating, even following Scope's downgrade to the single-A level last May. General government debt will increase to 119.2% of GDP by 2029 from the 90.6% at end-2024. This considers plans of re-financing RMB 10trn of "hidden" local debt onto the public-sector balance sheet. The pressure on sub-sovereign balance sheets has forced increased use of the sovereign balance sheet for spending, with central-government debt reaching a (still-low) 24.6% of GDP by Q2 2024 from the 17% at end-2019. • The capacity for China to continue navigating the ongoing soft economic landing – gradually accepting reduced annual growth objectives and allowing for greater flexibilities around such quantitative development targets, de-leveraging in the sectors that have taken on overly much debt since the global financial crisis, allowing for selective defaults and improving market functioning, and leaving *deflation* behind – is paramount for the rating Outlook. Any non-baseline scenario of a hard economic landing (full financial crisis) would present clear downside for the sovereign rating – presenting risks of so-called Japanification of the Chinese economy. • The roll-out of fresh tariffs by next year by the US against China, the response of Chinese authorities and their capacity for easing trade tensions, and ultimate resilience of the Chinese economy and financial system in this context are all areas to watch. The second Trump administration also presents opportunities for China – as America pulls back, this plays to China's goals of building a new world order and accelerating the internationalisation of the renminbi and the issuance of Chinese sovereign bonds as global reserve assets.
Japan	A/Stable	• The inflation outlook is important for the ratings trajectory. If Japan continues managing inflation of 2% or even of modestly above 2%, this supports the sovereign continuing to sustainably book end the debt deflation of the recent decades – further anchoring the credit ratings at the current single-A. Scope today projects a comparatively flat trajectory of Japan's very elevated sovereign debt ratio (from the formerly rising path forecast). If there is any further improvement of the long-run public debt trajectory, this might present upside for the ratings at single-A over the medium run. Likewise, Japan needs to ensure inflation does not rise again significantly, compromising the confidence in the Bank of Japan's 2% price-stability mandate and forcing further rises of JGB yields. • The capacity of the Liberal Democratic Party government to re-instate political stability and certainty is crucial – after the recent instability within the ruling party and early elections seeing a weakened government since October.
United States	AA/Negative	• We are considering the longer-run risks for the US credit ratings after the 2024 elections. This includes consideration of long-run credit risks from the structural recurrence of debt-ceiling crises. The debt limit returns on 2 January 2025, and extraordinary measures will be leveraged again for several months. Recurrent debt-ceiling crises have resulted in phases of severe debt repayment distress for the US federal government. • Uncertainties over the institutional outlook following the re-inauguration of Trump are to be considered. How does a second Trump administration feed into the heightened polarisation of US politics after Trump's strong second mandate? How might democratic institutions be weakened under if Trump tries to consolidate of power in the White House? The degree to which Trump attempts to pressure and make changes at the Federal Reserve is relevant for the institutional outlook. • We consider the long-run debt-sustainability outlook in view of elevated general government deficits, and structurally increasing government debt and interest expenses. Crucial is how much the extensions of Trump's tax cuts raise debt and how tariff increases and promised government downsizing might partially offset deficit-increasing reforms. • The scale to which Trump policies overheat the US economy and increase financial-stability risk needs monitoring. Given an overheating economy, tight labour markets and the risk of elevated inflation further amplified by future interest rate cuts, additional fiscal stimulus and financial de-regulation, the Federal Reserve faces a challenging year ahead – especially if Trump becomes more vocal in contesting the Fed's decisions.

2.5 Non-EU emerging Europe

Sovereign	Long-term issuer rating and rating Outlook in foreign currency	What we are watching entering 2025
Georgia	BB/Stable	• The outlook for domestic *civil and political stability* after exceptionally divisive elections this October already challenged for its legitimacy by the political opposition, Georgian president and international observers may decide by early 2025 whether there is downside for the rating at the present BB sub-investment grade. • The scale of the further weakening of democratic institutions given further consolidation of power by the ruling Georgian Dream – such as the presumed gaining of the presidency by indirectly-held elections later this month – and an opposition boycott of parliament alongside added sanctions on Georgia by western partners is relevant. • The degree of challenges for external-sector stability – such as the outlook for foreign-exchange reserve adequacy – especially in view of the suspension since last year of a precautionary IMF programme is considered. • The outlook for geopolitical risks affecting the sovereign is relevant – including developments in Russia's war in Ukraine.
Serbia	BB+/Positive	• Progress around the EU accession of Serbia is an area of monitoring. Serbia's long-run prospects of EU membership hinge upon: i) judicial reforms; ii) actions on anti-corruption; and iii) resolving tensions with Kosovo. Credit-positive initiatives such as the lithium deal and engagements with the International Monetary Fund furthermore influence the further alignment with Europe. • Balancing investments under "Leap into the Future – Serbia EXPO 2027" with sustaining a downside trajectory for the public-debt ratio is crucial for fiscal sustainability and economic stability – underscoring the prospect of investment grade. • The shifts toward renewable energies for curtailing coal dependencies, coupled with priorities of sustaining geopolitical stability in the western-Balkan region, are pivotal for longer-run economic resilience and regional integration.
Türkiye	B/Positive	• After upgrading the long-term ratings in foreign currency to single-B earlier this year, we see the sustenance of a tight and credible monetary policy and tightening fiscal policy as core for the consolidation of ongoing disinflation. Scope's next scheduled publication date on Türkiye's credit ratings is this Friday (6 December). • Monitoring the degree to which tight monetary and fiscal policies affect domestic economic activities and employment rates is crucial as this might determine the sustainability of the current (tight) policy stance.
Ukraine	SD	• The Eurobond securities ratings (CCC) will be affected by present planning of a third restructuring of the securities in the penultimate review of the IMF Extended Fund Facility (by around the 2H of 2026) – if required. Here, monitoring the challenging debt-sustainability outlook even following multiple external debt restructurings is crucial – a significant improvement of the debt-sustainability outlook (requiring an early cessation of the war) is needed to over-rule plans for additional Eurobond restructuring. • The long-term issuer rating of Ukraine in foreign currency will remain in selective default near term pending conclusion of the restructuring of loans of US-corporate Cargill to the Ukrainian sovereign and restructuring of sovereign-guaranteed green bonds owed by the state-owned electricity company Ukrenergo. The completion of the restructuring of added external claims is needed before the sovereign lifts existing payment moratoria on the claims. Nevertheless, the payment moratorium on sovereign GDP warrants starts by May 2025 as renegotiations of the warrants are continuing. Future upside from SD for the long-term issuer rating in foreign currency is capped by Eurobond securities ratings facing downside ratings migration in coming years. • The ratings on domestic long-term securities and the long-term issuer rating of Ukraine in local currency remain at CCC so long as the war continues. The challenging debt-sustainability assessment of Ukraine ultimately under any scenario of a frozen conflict and/or a future ceasefire present challenges for the outlook on domestic debt.

2.6 Africa

Sovereign	Long-term issuer rating and rating Outlook in foreign currency	What we are watching entering 2025
Egypt	B-/Stable	• Although robust financial assistance underpinned the revision of the credit Outlook to Stable from Negative during April of this year, the attention moving ahead will remain on the capacity of further advancing the IMF-coordinated reform agenda, including the state asset divestment programme, and enhancing economic resilience against external-sector crises. • The commitments of bilateral and multi-lateral lenders are crucial as authorities plan to tap international capital markets amid challenging funding conditions and elevated regional instabilities.
Morocco	BB+/Stable	• Following the affirmation of the ratings on Morocco this August, the core areas of attention for next year are the far-reaching reforms targeted for fostering economic diversification and tackling socio-economic challenges. • Advancing the reform agenda to enhance the business ecosystem and advance the transition towards inflation-targeting are also fundamental for strengthening macro-economic stability and bolstering stand-alone shock-absorption capacity.
South Africa	BB/Stable	• Although the government of national unity has delivered opportunities for South Africa's future ratings trajectory, the ratings remain held down at the current BB by elevated budgetary deficits and an expected further rise of government debt and the interest-payment burden – even if the slope of this rise has slightly moderated. To achieve upside for our rating at this rating level, we would need to see convincing evidence of that government-debt and interest-payment ratios are stabilised *through the cycle* despite the structural pressures pushing them higher. • The economic outlook has improved – underscored by a lengthy period without Eskom load-shedding this year. The sustainability of improvements in governance – including the stability of the coalition government and the continuity of economic, fiscal and institutional reform – the durability of economic growth and declines in inflation are areas to monitor.

Annex I: Global economic outlook

Table 1. Growth, inflation and official rates, 2022-2026F

Country/region	Real GDP growth (annual average, %)								Headline inflation[2] (annual average, %)							Policy rates (EOP, %)				
	2022	2023	2024E	Diff. from Oct-24[1]	2025F	Diff. from Oct-24[1]	2026F	Medium-run potential	2022	2023	2024E	Diff. from Oct-24[1]	2025F	Diff. from Oct-24[1]	2026F	End-2022	End-2023	End-2024	End-2025	End-2026
Euro area[3]	3.6	0.4	1.0	-	1.3	↓ 0.3	1.6	1.4	8.4	5.4	2.4	-	2.2	-	2.0	2.0	4.0	3.0	2.25	2.0
Germany	1.4	(0.1)	-0.1	↓ 0.1	0.1	↓ 0.8	1.2	0.8	8.7	6.0	2.5	-	2.4	↑ 0.1	2.1					
France	2.6	1.1	1.1	↑ 0.1	1.1	↓ 0.2	1.2	1.2	5.9	5.7	2.5	-	2.0	↑ 0.2	1.9					
Italy	4.8	0.8	0.7	↓ 0.1	0.9	↓ 0.1	1.1	1.0	8.7	5.9	1.1	↓ 0.1	2.0	-	2.2					
Spain	6.2	2.7	2.8	↑ 0.4	2.2	-	2.0	1.75	8.3	3.4	2.8	↓ 0.2	2.4	↑ 0.1	2.1					
Netherlands	5.0	0.1	0.6	↓ 0.2	1.4	↓ 0.3	1.3	1.4	11.6	4.1	3.4	↑ 1.8	3.2	↑ 0.9	2.1					
Belgium	4.2	1.3	1.2	↓ 0.0	1.3	↓ 0.0	1.3	1.3	10.3	2.3	3.9	↓ 0.3	2.4	↑ 0.3	1.8					
Austria	5.4	(0.8)	-0.6	↓ 1.1	0.7	↓ 0.9	1.4	1.2	8.6	7.7	2.9	↓ 0.9	2.4	-	2.2					
Ireland	8.7	(5.7)	-0.9	↓ 1.2	4.6	↑ 0.3	4.4	4.0	8.1	5.2	1.3	↓ 1.7	1.6	↓ 1.3	2.1					
Finland	1.5	(1.2)	-0.3	-	1.6	↓ 0.2	1.5	1.2	7.2	4.3	1.0	↓ 0.2	2.0	-	2.1					
Portugal	7.0	2.5	1.8	↓ 0.1	2.1	↓ 0.1	2.3	1.8	8.1	5.3	2.8	-	2.4	↑ 0.4	2.1					
Greece	5.6	2.0	2.4	↑ 0.4	2.1	↑ 0.3	1.8	1.25	9.3	4.2	3.1	↑ 0.4	3.5	↑ 0.9	2.4					
Slovakia	0.4	1.4	2.3	↓ 0.2	2.3	↓ 0.6	2.4	2.5	12.1	11.0	2.9	↓ 2.3	4.9	↑ 1.9	2.5					
Luxembourg	1.4	(1.1)	1.4	↓ 0.9	2.6	↓ 0.3	2.4	2.5	8.2	2.9	2.2	↓ 0.4	1.9	↓ 0.9	2.7					
Lithuania	2.5	0.3	2.3	↑ 0.1	2.9	↑ 0.1	2.7	2.5	18.9	8.7	0.7	↓ 0.4	2.5	↓ 0.3	2.7					
Slovenia	3.1	2.1	1.5	↓ 0.8	2.2	↓ 0.5	2.3	2.5	9.3	7.2	2.2	↓ 1.8	2.5	↓ 0.3	2.0					
Latvia	1.8	1.7	-0.2	↓ 1.8	1.5	↓ 0.7	2.8	2.5	17.2	9.1	1.3	↓ 0.1	1.9	↓ 1.0	1.7					
Estonia	0.1	(3.0)	-0.9	↓ 0.6	1.6	↓ 1.6	2.8	2.2	19.4	9.1	3.8	-	2.5	↑ 0.2	1.8					
Cyprus	7.4	2.6	3.5	↑ 0.7	3.1	↑ 0.1	3.2	3.0	8.1	3.9	2.1	↓ 0.3	1.9	↓ 0.3	1.8					
Malta	4.4	7.8	5.0	↑ 0.8	4.0	↑ 0.4	3.5	3.5	6.1	5.6	2.5	↓ 0.5	2.0	↓ 0.3	2.0					
Croatia	7.3	3.3	3.4	↑ 0.1	2.8	↓ 0.3	2.8	2.8	10.8	7.9	3.8	↑ 0.1	3.0	↑ 0.4	2.3					
Western Europe ex-euro area																				
United Kingdom	4.8	0.3	0.9	↓ 0.1	1.5	-	1.5	1.5	9.1	7.3	2.4	↓ 0.2	2.5	↓ 0.3	2.4	3.5	5.25	4.75	4.25	3.75
Switzerland	3.1	0.7	1.5	↑ 0.5	1.3	↓ 0.1	1.4	1.5	2.8	2.1	1.1	↓ 0.5	1.0	↓ 1.0	1.0	1.0	1.75	0.75	0.75	0.75
Sweden	1.6	(0.1)	0.6	↑ 0.2	1.8	↓ 0.2	2.8	1.8	8.4	8.5	2.8	↓ 0.2	1.6	↑ 0.1	2.1	2.5	4.0	2.5	1.75	1.75
Norway	3.0	0.7	0.6	↓ 0.6	1.5	↓ 0.5	1.8	1.8	5.8	5.5	3.1	↓ 0.3	2.6	-	2.2	2.75	4.5	4.5	3.75	2.75
Denmark	1.5	2.5	1.9	↓ 0.2	2.1	↑ 0.2	1.6	1.5	7.7	3.4	1.3	↓ 0.7	2.2	↑ 0.3	2.0	1.75	3.6	2.6	1.85	1.6
EU central and eastern Europe ex-euro																				
Poland	5.5	0.1	2.5	-	3.2	↑ 0.1	3.0	3.0	14.4	11.4	3.8	↓ 0.3	4.4	↓ 1.2	3.9	6.75	5.75	5.75	5.25	5.0
Romania	4.0	2.4	1.2	↓ 1.2	2.3	↓ 0.5	3.5	3.75	13.8	10.4	5.6	↓ 0.4	3.7	↓ 0.8	3.4	6.75	7.0	6.5	6.0	5.5
Czech Republic	2.9	(0.2)	1.1	↑ 0.5	2.3	↑ 0.1	2.2	2.5	15.1	10.7	2.5	↑ 0.3	2.8	↑ 0.9	2.3	7.0	6.8	4.0	3.0	2.25
Hungary	4.3	(0.8)	0.7	↓ 1.5	2.8	↓ 0.5	3.2	2.75	14.6	17.1	3.6	↓ 0.4	4.0	↑ 0.2	3.6	13.0	10.75	6.5	5.25	4.5
Bulgaria	4.1	2.0	2.4	-	3.0	-	2.7	2.75	15.3	9.5	2.1	↓ 0.4	2.2	↓ 0.4	2.5	1.3	3.8	3.22	2.25	2.0
Non-EU emerging Europe																				
Türkiye	5.5	5.1	3.0	↓ 0.5	3.0	↓ 0.2	3.2	4.0	72.3	53.9	60.0	↑ 5.0	35.0	↑ 5.0	20.0	9.0	42.5	50.0	37.5	22.5
Ukraine	(28.8)	5.3	4.1	↑ 0.4	3.5	-	3.5	2.5	20.2	12.8	6.1	↑ 0.6	9.4	↑ 2.3	5.6	25.0	15.0	13.0	13.0	11.0
Serbia	2.5	2.5	3.7	↑ 0.1	4.1	↓ 0.3	4.0	4.0	12.0	12.4	4.7	↑ 0.3	4.1	↑ 0.7	3.4	5.0	6.5	5.75	4.5	4.0
Georgia	11.0	7.5	9.5	↑ 2.0	6.8	↑ 1.4	5.7	5.0	11.9	2.5	1.0	↓ 0.6	1.9	↓ 1.0	3.0	11.0	9.50	8.0	7.5	7.5
Rest of World (Advanced)																				
United States	2.5	2.9	2.8	-	2.7	-	2.2	2.0	8.0	4.1	2.9	-	2.9	↑ 0.4	2.7	4.25-4.5	5.25-5.5	4.25-4.5	4-4.25	3.5-3.75
China[4]	3.0	5.2	4.7	↓ 0.3	4.4	↓ 0.1	4.1	4.0	1.9	0.3	0.3	↓ 0.2	0.8	↓ 1.0	2.0	3.65	3.45	3.1	2.6	2.5
Japan[5]	1.1	1.7	-0.3	↓ 0.3	0.8	↓ 0.1	0.6	0.4	2.5	3.2	2.5	↓ 0.1	2.4	↑ 0.1	2.2	(0.1)	(0.1)	0.25	0.5	0.75
Africa																				
South Africa	1.9	0.7	0.9	↑ 0.1	1.5	↑ 0.1	1.5	1.5	7.0	6.1	4.5	↓ 0.2	4.1	↓ 0.2	4.6	7.0	8.25	7.75	7.25	7.25
Egypt	6.7	3.8	2.7	↓ 0.6	3.9	↑ 0.1	4.3	5.0	21.3	33.6	33.0	↓ 6.0	20.0	↓ 6.0	15.0	16.25	19.25	27.25	25.0	20.0
Morocco	1.4	3.6	3.0	-	3.4	↑ 0.1	3.5	3.0	6.7	6.1	1.5	↓ 2.0	1.8	↓ 1.1	2.0	1.5	3.0	2.75	2.50	2.25
World	3.6	3.3	3.2	↓ 0.1	3.3	↓ 0.1	3.3	2.6	8.6	6.7	5.7	↓ 0.1	4.4	-	3.8					

Negative values shown in parentheses. Source: Scope Ratings forecasts, Macrobond, IMF.

[1]Changes compared with Scope October-2024 Global Economic Outlook forecasting. [2]HICP headline inflation for euro-area member states; otherwise, CPI headline inflation.

[3]Shown for the euro-area policy rate is the ECB deposit facility rate. [4]Shown for China's policy rate is the one-year bank prime loan rate. [5]Shown for Japan's policy rate is the deposit rate on current account balances.

Table 2. Unemployment, fiscal metrics, 2022-2029F

Country/region	Unemployment rate[6] (annual average, %)					General government balance (% of GDP)						Public debt level (% of GDP)					
	2022	2023	2024E	2025F	2026F	2022	2023	2024E	2025F	2026F	2029F	2022	2023	2024E	2025F	2026F	2029F
Euro area	6.8	6.6	6.5	6.5	6.4	(3.5)	(3.6)	(3.1)	(2.8)	(2.5)	(2.3)	90	88	87	87	87	86
Germany	3.1	3.0	3.4	3.5	3.3	(2.1)	(2.6)	(2.0)	(1.7)	(1.0)	(1.2)	65	63	63	63	62	60
France	7.3	7.3	7.4	7.4	7.3	(4.7)	(5.5)	(6.1)	(5.2)	(5.0)	(3.8)	111	110	113	115	116	119
Italy	8.1	7.7	6.6	6.4	6.2	(8.1)	(7.2)	(4.0)	(3.3)	(3.0)	(3.0)	138	135	137	138	138	139
Spain	13.0	12.2	11.5	11.5	11.7	(4.6)	(3.5)	(3.5)	(3.0)	(2.4)	(2.0)	110	105	103	102	100	95
Netherlands	3.5	3.6	3.8	3.9	4.0	0.0	(0.4)	(1.8)	(2.4)	(2.8)	(3.1)	48	45	45	46	47	51
Belgium	5.6	5.5	5.6	5.7	5.7	(3.6)	(4.4)	(4.6)	(4.7)	(4.9)	(5.0)	104	105	105	106	109	115
Austria	4.7	5.1	5.2	5.5	5.7	(3.3)	(2.6)	(3.5)	(3.2)	(3.1)	(2.9)	79	79	80	81	81	82
Ireland	4.5	4.3	4.3	4.4	4.5	1.7	1.5	3.8	1.4	1.6	0.6	43	43	43	39	36	30
Finland	6.8	7.2	8.3	8.2	8.1	(0.2)	(3.0)	(3.7)	(2.8)	(2.3)	(2.1)	74	77	81	84	84	85
Portugal	6.2	6.6	6.5	6.2	5.9	(0.3)	1.2	0.5	0.5	0.4	0.4	111	98	94	89	85	75
Greece	12.5	11.1	10.1	9.5	9.1	(2.5)	(1.3)	(0.3)	(0.2)	(0.3)	(1.3)	178	168	155	145	139	132
Slovakia	6.2	5.8	5.6	5.5	5.5	(1.7)	(4.8)	(5.9)	(4.8)	(4.4)	(4.3)	58	56	59	58	61	67
Luxembourg	4.6	5.2	5.9	6.2	6.0	0.2	(0.7)	(1.0)	(1.2)	(1.5)	(1.6)	25	26	27	28	29	31
Lithuania	6.0	6.9	7.3	7.5	7.5	(0.7)	(0.7)	(1.9)	(2.5)	(2.0)	(1.0)	38	37	39	39	40	38
Slovenia	4.0	3.7	3.6	3.6	3.5	(3.0)	(2.6)	(2.7)	(2.5)	(1.8)	(1.6)	73	68	67	67	66	62
Latvia	6.8	6.5	7.0	7.0	6.7	(4.9)	(2.4)	(3.1)	(3.0)	(2.8)	(2.5)	44	45	47	49	49	49
Estonia	5.6	6.4	7.5	7.8	7.2	(1.1)	(2.8)	(3.1)	(2.9)	(2.7)	(2.5)	19	20	23	25	27	32
Cyprus	6.3	5.9	5.3	5.0	4.9	2.6	2.0	3.1	3.2	3.1	1.4	81	74	67	60	56	46
Malta	3.5	3.5	3.1	3.0	3.0	(5.2)	(4.5)	(4.0)	(3.2)	(2.9)	(2.5)	49	47	48	48	48	48
Croatia	6.7	6.1	5.0	4.8	4.7	0.1	(0.9)	(2.1)	(2.3)	(1.9)	(1.7)	69	62	58	58	57	54
Western Europe ex-euro area																	
United Kingdom	3.9	4.1	4.2	4.2	4.2	(4.7)	(6.0)	(5.4)	(4.9)	(4.8)	(4.6)	100	101	101	104	106	112
Switzerland	2.2	2.0	2.3	2.5	2.7	1.2	0.2	0.5	0.7	0.5	0.4	37	33	33	32	31	28
Sweden	7.5	7.7	8.4	8.5	8.4	1.0	(0.6)	(1.2)	(1.1)	(0.4)	0.3	34	36	37	36	36	33
Norway	3.2	3.6	4.0	4.0	4.1	25.6	16.5	12.0	11.0	9.8	7.1	37	42	43	43	43	40
Denmark	4.4	5.1	5.8	5.9	5.7	3.4	3.3	1.9	0.9	0.4	(0.1)	34	34	32	31	31	31
EU central and eastern Europe ex-euro																	
Poland	2.9	2.8	2.9	2.9	2.9	(3.4)	(5.3)	(6.4)	(6.4)	(5.6)	(4.9)	49	50	55	61	64	70
Romania	5.6	5.6	5.4	5.3	5.1	(6.4)	(6.5)	(8.0)	(7.5)	(7.1)	(6.3)	48	49	53	58	61	70
Czech Republic	2.4	2.6	2.8	2.7	2.6	(3.1)	(3.8)	(2.8)	(3.0)	(1.7)	(0.7)	44	44	43	44	44	43
Hungary	3.7	4.1	4.4	4.2	4.1	(6.2)	(6.7)	(4.8)	(3.9)	(3.8)	(2.7)	74	73	74	73	73	69
Bulgaria	4.2	4.3	4.3	4.2	4.1	(0.8)	(3.1)	(2.8)	(2.9)	(2.9)	(2.8)	23	23	24	26	27	32
Non-EU emerging Europe																	
Türkiye[7]	10.5	9.4	10.5	10.8	10.0	(1.0)	(5.2)	(5.2)	(3.6)	(3.5)	(2.7)	31	30	25	26	27	26
Ukraine[7]	n/a	n/a	n/a	n/a	n/a	(16.1)	(20.4)	(18.6)	(18.8)	(11.0)	(5.0)	78	82	90	98	101	98
Serbia	9.6	9.4	9.1	9.0	8.9	(0.1)	(1.3)	(2.6)	(2.3)	(2.0)	(2.1)	53	49	49	47	46	46
Georgia	17.3	16.4	13.5	12.5	12.0	(2.6)	(2.3)	(2.0)	(2.1)	(2.1)	(2.1)	39	39	39	39	38	35
Rest of World (Advanced)																	
United States	3.6	3.6	4.0	3.9	3.9	(3.9)	(7.1)	(7.6)	(7.5)	(7.9)	(7.6)	119	119	121	122	125	134
China[8]	5.6	5.2	5.1	5.1	5.1	(7.5)	(6.9)	(7.4)	(7.6)	(7.3)	(8.4)	77	84	91	98	104	119
Japan	2.6	2.6	2.5	2.4	2.3	(4.4)	(4.2)	(5.6)	(4.2)	(4.1)	(5.6)	256	250	252	250	250	254
Africa																	
South Africa	33.5	32.4	33.4	34.0	34.0	(4.3)	(5.8)	(4.1)	(5.4)	(5.4)	(5.6)	71	73	75	76	77	82
Egypt	7.3	7.0	7.2	7.4	7.0	(5.8)	(5.8)	(10.2)	(10.9)	(10.3)	(5.3)	89	96	92	89	87	77
Morocco	11.9	13.0	13.2	13.0	11.5	(5.4)	(4.4)	(4.2)	(3.8)	(3.5)	(3.3)	72	69	69	68	67	66
World																	

Negative values shown in parentheses. Source: Scope Ratings forecasts, Macrobond, IMF.

[6]Unemployment rate data source is Eurostat for EU member states; national unemployment series otherwise. [7]Türkiye and Ukraine fiscal-balance figures are for the central-government budget balance.

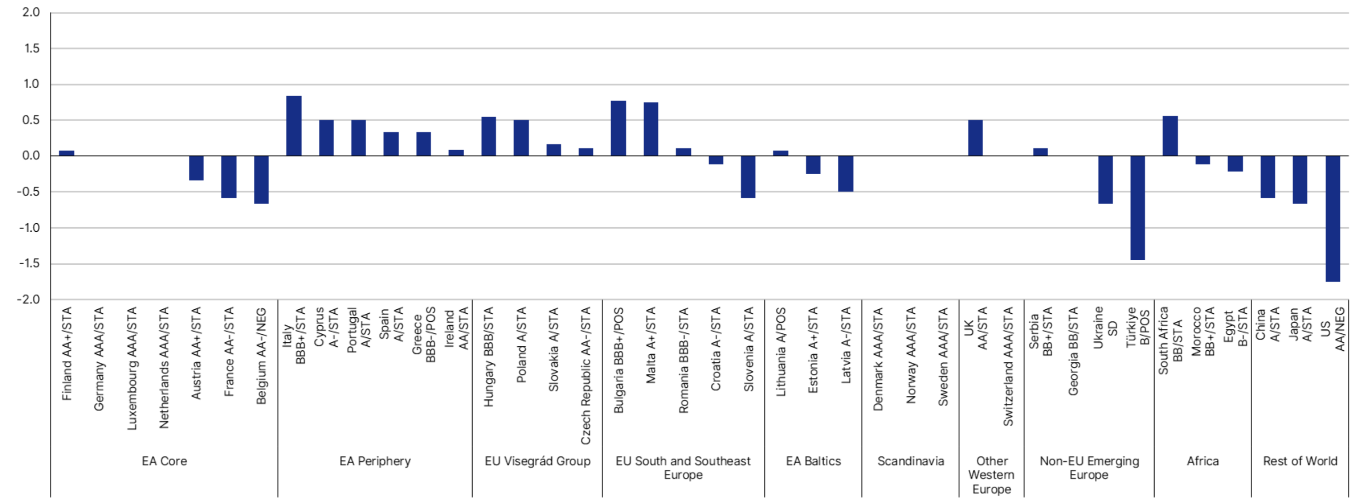
[8]Unemployment is survey-based urban unemployment rate.

Annex II: Scope's sovereign ratings and recent rating actions

Figure 12: Scope's publicly issued long-term foreign-currency sovereign credit ratings, as of 5 December 2024

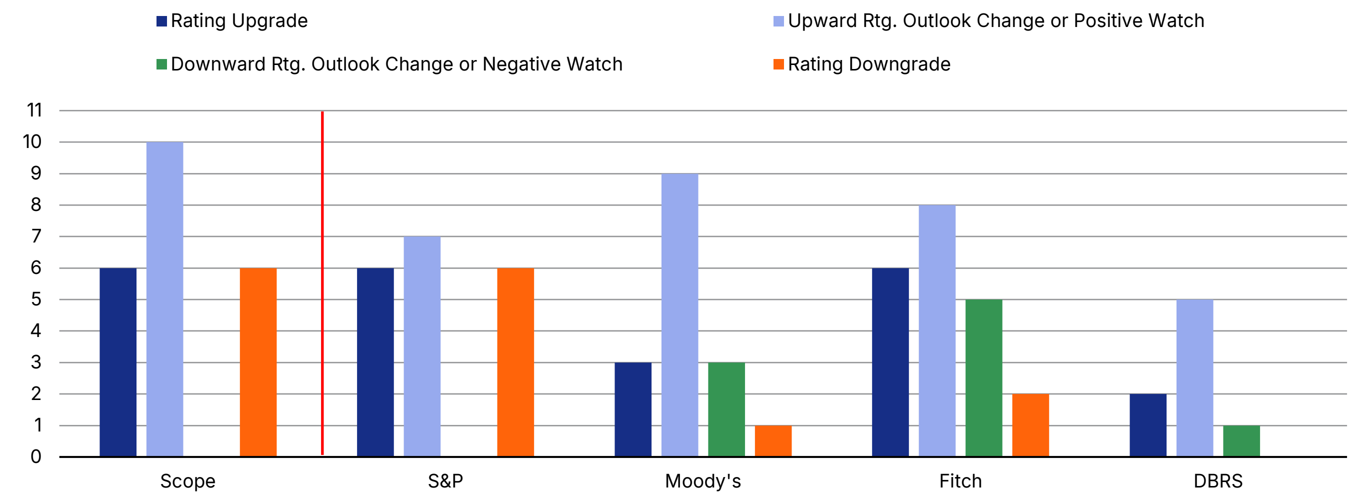
Europe				Rest of the World	
Euro area		Non-euro area EU		Africa	
Austria	AA+/Stable	Bulgaria	BBB+/Positive	Egypt	B-/Stable
Belgium	AA-/Negative	Czech Rep.	AA-/Stable	Morocco	BB+/Stable
Croatia	A-/Stable	Denmark	AAA/Stable	South Africa	BB/Stable
Cyprus	A-/Stable	Hungary	BBB/Stable	North America & Asia	
Estonia	A+/Stable	Poland	A/Stable	China	A/Stable
Finland	AA+/Stable	Romania	BBB-/Stable	Japan	A/Stable
France	AA-/Stable	Sweden	AAA/Stable	United States	AA/Negative
Germany	AAA/Stable	Other western Europe			
Greece	BBB-/Positive	Norway	AAA/Stable		
Ireland	AA/Stable	Switzerland	AAA/Stable		
Italy	BBB+/Stable	United Kingdom	AA/Stable		
Latvia	A-/Stable	Emerging Europe			
Lithuania	A/Positive	Georgia	BB/Stable		
Luxembourg	AAA/Stable	Serbia	BB+/Positive		
Malta	A+/Stable	Türkiye	B/Positive		
Netherlands	AAA/Stable	Ukraine	SD		
Portugal	A/Stable				
Slovakia	A/Stable				
Slovenia	A/Stable				
Spain	A/Stable				

Figure 13: Scope sovereign rating levels versus the average of other ECAF agencies* (rating notches), as of 5 December 2024



*ECAF (Eurosystem Credit Assessment Framework) agency reflects the mean of Moody's, Standard & Poor's, Fitch Ratings and DBRS Morningstar (if DBRS does not rate a given sovereign, then reflects the mean of Moody's, S&P and Fitch Ratings). Reflects selected countries from Scope's portfolio of 40 publicly-rated sovereigns. Calculated based on an alpha-numeric conversion on a 20-point scale from AAA (20) to D (1) with ECAF-agency ratings adjusted to the Scope rating scale. Positive/Negative Outlooks are treated with a +/-0.33 adjustment. Credit Watch positive/negative with a +/-0.67 adjustment. CEE = central and eastern Europe. RoW = rest of the world. Foreign-currency long-term issuer rating disparities are presented. As of 5 December 2024.

Figure 14: Number of rating revisions since January 2024



NB. Rating revisions on either foreign- or local-currency ratings since 1 January 2024 for the 40 countries that Scope has rated publicly. *Among countries that Scope has rated, DBRS does not rate Bulgaria, Croatia, the Czech Republic, Egypt, Georgia, Hungary, Morocco, Romania, Serbia, South Africa, Türkiye and Ukraine (so, the above is from a sample of 28 rated countries for DBRS).

Table 3: Scope's sovereign rating actions, 2024 YTD

Month 2023	Date	Sovereign	Rating action	Rating & Outlook*
Jan	12 January 26 January	Türkiye Hungary	Affirmation/ Outlook change Affirmation	B-/Stable BBB/Stable
Feb	2 February 9 February 16 February	Georgia Slovakia Portugal	Affirmation Affirmation/ Outlook change Affirmation	BB/Stable A/Stable A-/Stable
Mar	1 March 1 March 15 March 22 March 22 March	Egypt Romania Finland Spain Japan	Affirmation Affirmation Affirmation Affirmation/ Outlook change Affirmation/ Outlook change	B-/Negative BBB-/Stable AA+/Stable A-/Positive A/Stable
Apr	12 April 19 April 26 April 26 April 26 April	Egypt Estonia Czech Republic Austria Türkiye	Affirmation/ Outlook change Downgrade/ Outlook change Affirmation Downgrade/ Outlook change Affirmation/ Outlook change	B-/Stable A+/Stable AA-/Stable AA+/Stable B-/Positive
May	3 May 10 May 24 May	Croatia Ukraine Luxembourg	Affirmation/ Outlook change Downgrade (foreign-currency long-term) Affirmation	BBB+/Positive C/Negative AAA/Stable
Jun	28 June	Türkiye	Upgrade	B/Positive
Jul	5 July 12 July 12 July 26 July 26 July 26 July 26 July	Slovenia Italy Greece Portugal Serbia China Poland	Affirmation Affirmation Affirmation/ Outlook change Affirmation/ Outlook change Affirmation/ Outlook change Affirmation Affirmation	A/Stable BBB+/Stable BBB-/Positive A-/Positive BB+/Positive A/Stable A/Stable
Aug	2 August 2 August 2 August 15 August 23 August 23 August 30 August	Morocco Bulgaria Malta Ukraine Sweden Ireland Ukraine	Affirmation Affirmation Affirmation Downgrade (foreign-currency long-term) Affirmation Upgrade/ Outlook change Affirmation (foreign-currency long-term)	BB+/Stable BBB+/Positive A+/Stable SD AAA/Stable AA/Stable SD
Sep	6 September 6 September 6 September 13 September 20 September 20 September 27 September	Denmark Spain Norway South Africa Lithuania Latvia Germany	Affirmation Upgrade/ Outlook change Affirmation Affirmation Affirmation/ Outlook change Affirmation Affirmation	AAA/Stable A/Stable AAA/Stable BB/Stable A/Positive A-/Stable AAA/Stable
Oct	4 October 11 October 11 October 18 October 18 October 25 October	Switzerland Netherlands United Kingdom Croatia France Cyprus	Affirmation Affirmation Affirmation Upgrade/ Outlook change Downgrade/ Outlook change Upgrade	AAA/Stable AAA/Stable AA/Stable A-/Stable AA-/Stable A-/Stable
Nov	8 November 22 November	Hungary Portugal	Affirmation Upgrade/ Outlook change	BBB/Stable A/Stable

*Foreign-currency issuer ratings and rating Outlooks.

Annex III: Related research

Global Economic Outlook – October 2024: Soft economic landing but elevated steady-state rates underscore balanced economic risk for the global economy

Global economic update: soft landing reinforces prospect of higher-for-longer interest rates, June 2024

Central and Eastern Europe 2024 Sovereign Outlook: Recovering growth, diverging fiscal paths, and persistent geopolitical outlooks, January 2024

2024 Sovereign Outlook: Soft economic landing and turn of the global rate cycle balance fiscal and geopolitical risks for sovereigns, December 2023

CEE Mid-Year Sovereign Outlook: inflation subsides but economic recovery remains fragile, 25 July 2023

Sovereign Mid-Year 2023 Outlook: negative rating outlook framed by slowdown, high debt, rising rates, 18 July 2023

Central and Eastern Europe Outlook 2023: growth falters, EU funding crucial as debt payments rise, 15 December 2022

Sovereign Outlook 2023: Sovereign Outlook 2023: rating pressures rise due to war in Ukraine, slow growth, high inflation, 12 December 2022

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