

# Federal Republic of Germany

## Rating report

### Rating rationale

**Wealthy, large, diversified economy:** Germany's economy proved resilient during the Covid-19 pandemic and the energy crisis. However, the country's high value-added, export-oriented, and energy import-dependent economy has been slow to recover compared with peer countries due to persistent high energy prices and rising trade tensions. With economic output remaining near pre-Covid levels at the end of 2024, we expect low GDP growth of around 0.2% in 2025. This should gradually increase with annual growth averaging around 1.1% over the next five years as large defence and infrastructure spending plans are implemented.

**Robust fiscal framework:** Germany's solid fiscal policy framework and strong record of fiscal discipline are anchored by its constitutional debt brake. Following a two-third majority vote in parliament to amend the debt brake, the incoming administration is expected to use Germany's fiscal space to significantly increase borrowing to fund infrastructure investment and defence spending in coming years. We expect the debt-to-GDP ratio to increase to around 70% by 2029 from 63% in 2024.

**Highly competitive external sector:** The economy's external strength is reflected in its large and persistent current account surplus. This declined in 2022 to 4.2% due to the rise in energy import prices and weaker external demand from key trading partners but recovered quickly to 6.6% in 2024. The surplus is expected to remain slightly below pre-pandemic levels in the medium term.

**Rating challenges include:** i) implementation of structural reforms and transition risks for energy-intensive industries given carbon neutrality targets; ii) an ageing population, resulting in rising pension liabilities and downward pressure on the country's medium-term growth potential; and iii) vulnerabilities related to global geopolitical risks.

### Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

### Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Figure 1: Germany's sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
	Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk	35%	aaa	EUR	Germany	-1/3	AAA
Public finance risk	20%	aa			0	
External economic risk	10%	aaa			2/3	
Financial stability risk	10%	aaa			1/3	
ESG risk	Environmental factors	5%	[+1]	[-0]	-1/3	
	Social factors	7.5%			0	
	Governance factors	12.5%	aaa			
<b>Sovereign Quantitative Model</b>	<b>aaa</b>				<b>+0</b>	
<b>Additional considerations</b>					<b>0</b>	

\*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

\*\*The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

\*\*\*The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

### Lead Analyst

Eiko Sievert

+49 69 6677389-79

[e.sievert@scoperatings.com](mailto:e.sievert@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

### Credit strengths and challenges

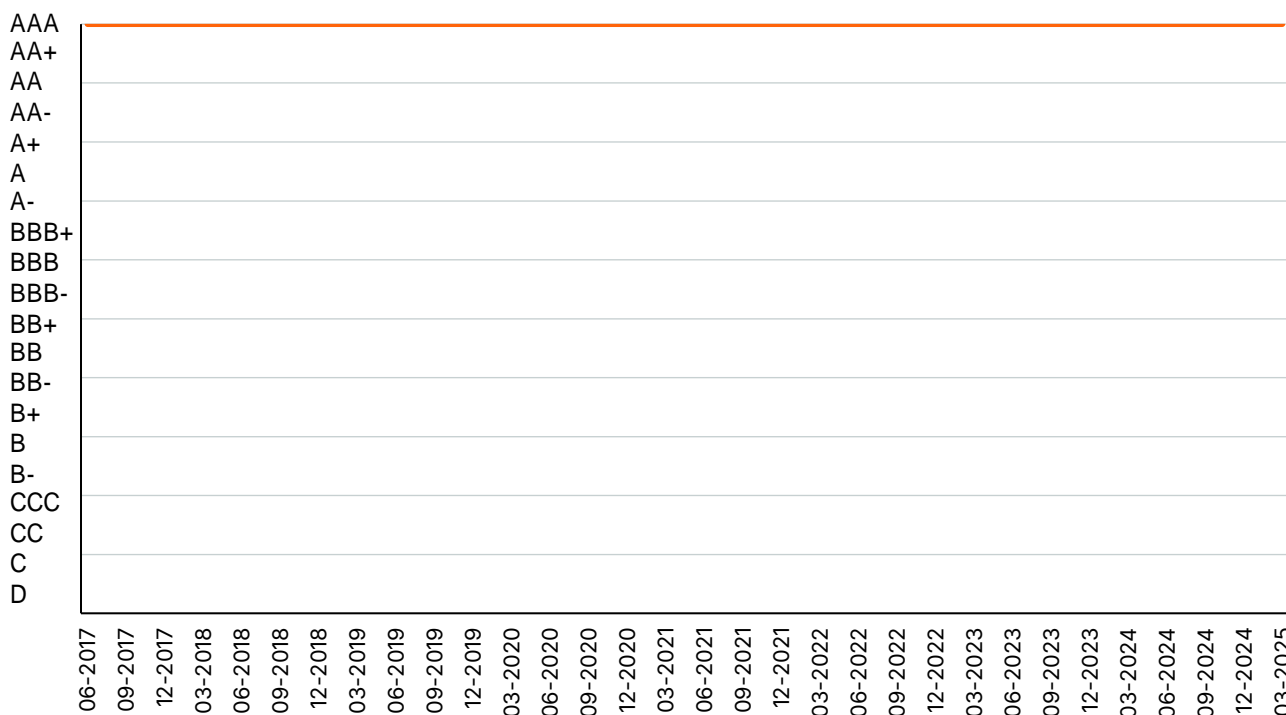
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Wealthy, large, diversified economy</li> <li>Robust fiscal framework and strong track record of fiscal discipline</li> <li>Highly competitive external sector</li> </ul>	<ul style="list-style-type: none"> <li>Structural reforms and transition risks for energy-intensive industries</li> <li>Ageing population, resulting in rising pension liabilities and downward pressure on growth potential</li> <li>Vulnerabilities related to global geopolitical risk</li> </ul>

### Outlook and rating triggers

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

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Significant fiscal deterioration, resulting in a material and sustained increase in public debt as a share of GDP over the longer term</li> <li>Significantly weaker growth outlook, for example due to severe macroeconomic or financial system shock</li> </ul>

Figure 2: Rating history



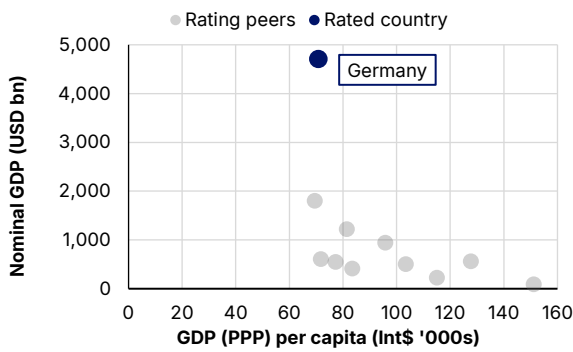
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

### Domestic economic risk

#### Overview of Scope's assessments of Germany's Domestic Economic Risk

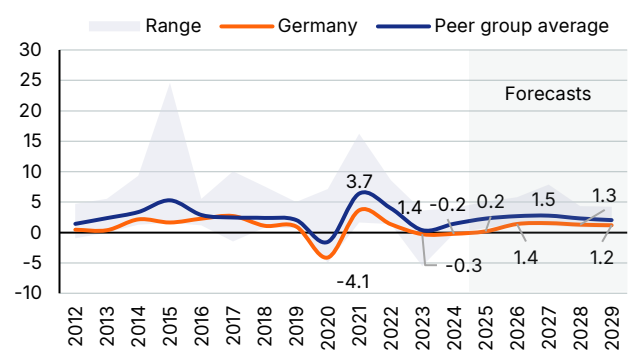
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Weak	-1/3	Weak growth potential reflecting demographic challenges, a large investment gap and structural challenges in key industries
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macroeconomic stability and sustainability	Neutral	0	Competitive and diversified economy but weaknesses in digitalisation, labour market challenges related to ageing; high resource dependence and trade linkages with other countries

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



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

Figure 4: Real GDP growth, %



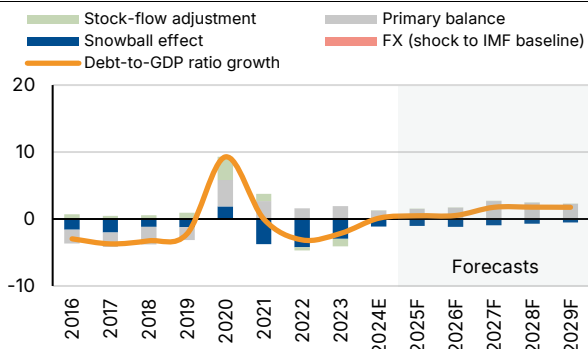
Source: IMF WEO, Scope Ratings forecasts

### Public finance risk

#### Overview of Scope's assessments of Germany's Public Finance Risk

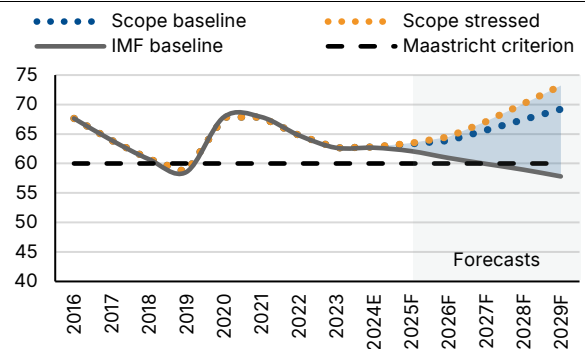
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Fiscal policy framework	Neutral	0	Constitutionally anchored debt brake at federal and regional level; strong policy response aimed at raising defence spending and infrastructure investment
	Long-term debt trajectory	Weak	-1/3	Moderate public debt with high resilience to adverse scenarios; rising debt trajectory to fund defence and infrastructure spending; rising pension liabilities
	Debt profile and market access	Strong	+1/3	Primary benchmark issuer in euro area, reflected in low interest payments despite heightened debt levels

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



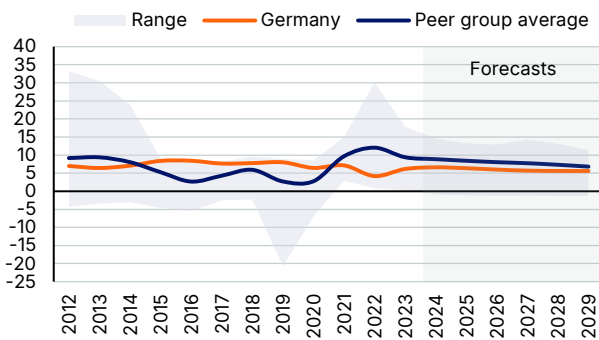
Source: IMF WEO, Scope Ratings forecasts

### External economic risk

#### Overview of Scope's assessments of Germany's External Economic Risk

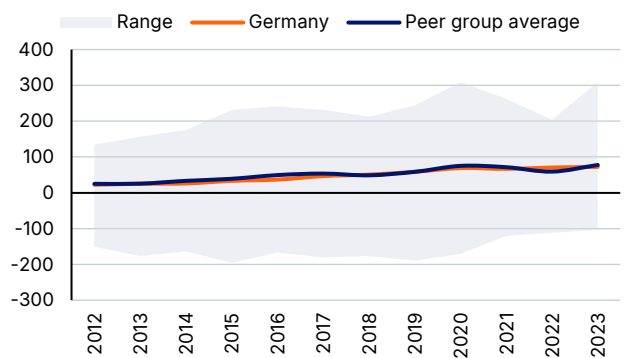
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Strong	+1/3	Diversified and competitive export base; strong track record of current account surpluses
	External debt structure	Neutral	0	Moderate external debt
	Resilience to short-term external shocks	Strong	+1/3	Benefits from euro area membership; large external-creditor position

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



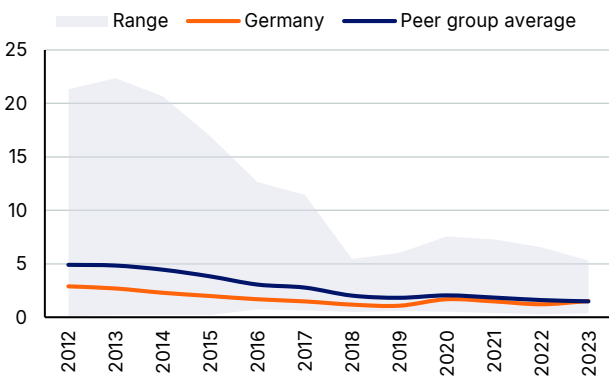
Source: IMF, Scope Ratings

### Financial stability risk

#### Overview of Scope's assessments of Germany's Financial Stability Risk

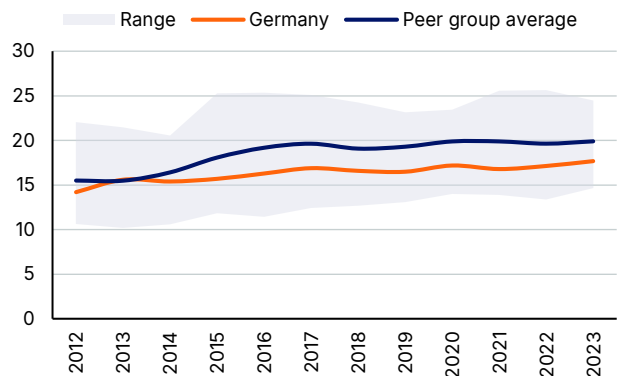
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Low return on equity and unfavourable cost structure of banking sector balanced by adequate capitalisation and moderate exposure risk to nonfinancial corporate debt
	Financial sector oversight and governance	Neutral	0	Oversight under National Supervisory Authority and ECB as part of banking union
	Financial imbalances	Strong	+1/3	Moderate household and private sector indebtedness; closely monitored systemic risks in financial 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



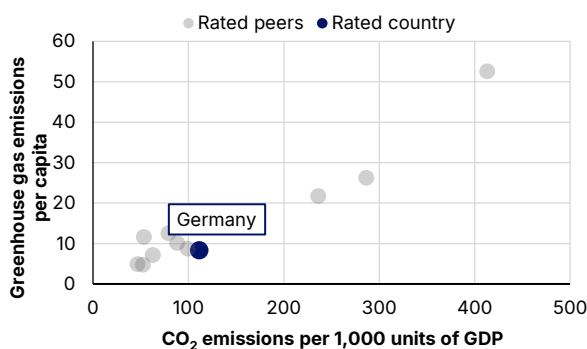
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Germany's ESG Risk

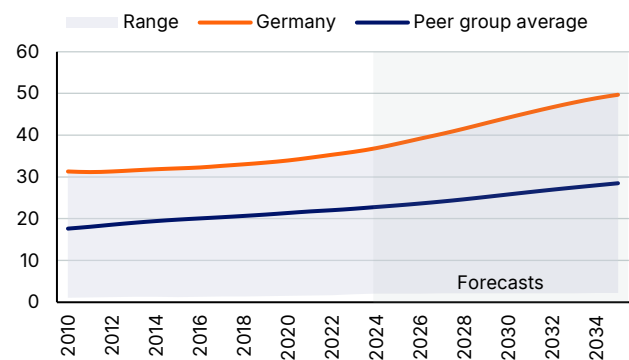
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Weak	-1/3	Structural challenges related to transition risk in view of carbon neutrality targets and economic importance of energy-intensive key industries
	Social factors	Neutral	0	Weak demographics given an ageing workforce, balanced by high social inclusion and improving labour force participation; inequality risks in line with peers
	Governance factors	Neutral	0	High-quality institutions but increasingly fragmented political environment

Figure 11: CO<sub>2</sub> emissions per capita/GDP (2023), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

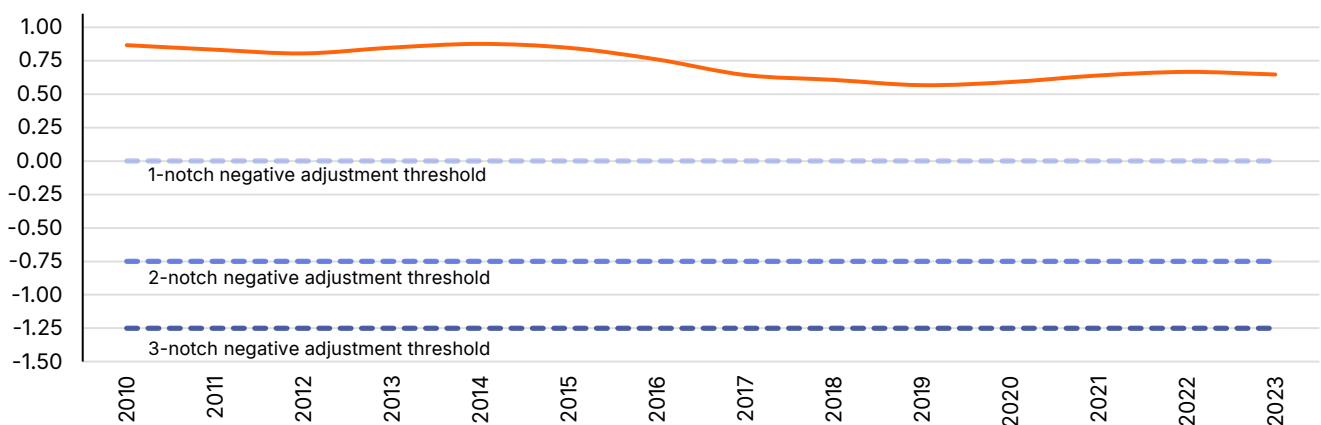
### IMF SDR basket and Scope reserve-currency adjustment

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, Germany, 3-year moving average



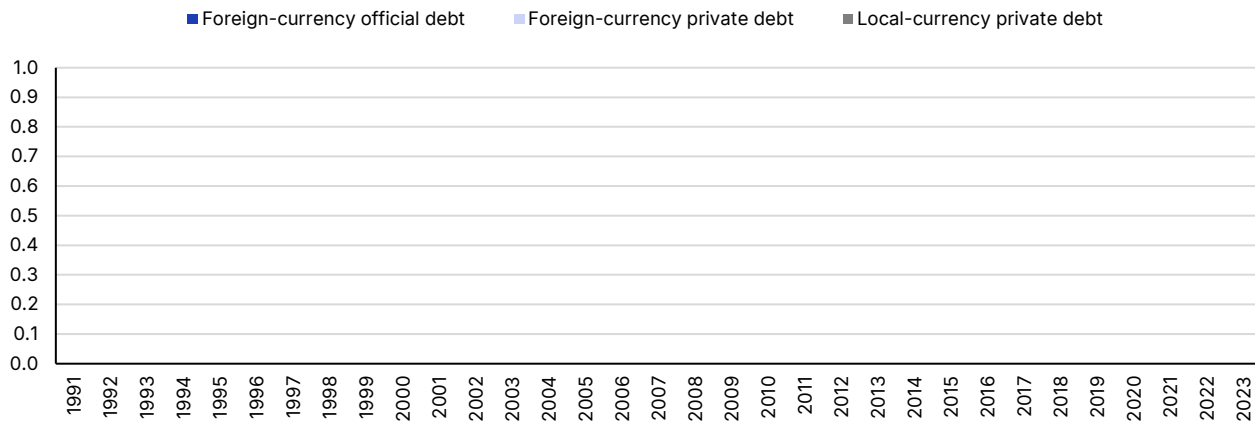
Source: WB, Scope Ratings

### Additional considerations

No adjustment was applied to the rating from additional considerations.

### Appendix 1. Sovereign default history

#### Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).  
 Source: [Bank of Canada-Bank of England Sovereign Default Database](#), Scope Ratings.

### Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Denmark
Luxembourg
Netherlands
Norway
Sweden
Switzerland

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

### Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 21 March 2025	13.4

#### Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	59.3	58.7	63.0	67.9	69.5	70.9
	Nominal GDP, USD bn	IMF	3,958	3,937	4,351	4,167	4,527	4,710
	Real growth, %	IMF	1.0	-4.1	3.7	1.4	-0.3	0.0
	CPI inflation, %	IMF	1.4	0.4	3.2	8.7	6.0	2.4
	Unemployment rate, %	WB	3.2	3.9	3.6	3.1	3.1	-
Public Finance	Public debt, % of GDP	IMF	58.6	67.9	67.9	64.8	62.7	62.7
	Net interest payment, % of government revenue	IMF	1.3	1.0	1.0	1.2	1.4	1.6
	Primary balance, % of GDP	IMF	1.9	-3.9	-2.7	-1.6	-1.9	-1.3
External Economic	Current-account balance, % of GDP	IMF	8.0	6.5	7.2	4.2	6.2	6.6
	Total reserves, months of imports	WB	1.5	2.0	1.8	1.6	1.7	-
	NIIP, % of GDP	IMF	58.7	69.0	66.8	70.6	72.3	-
Financial Stability	NPL ratio, % of total loans	IMF	1.1	1.7	1.5	1.2	1.5	-
	Tier 1 ratio, % of risk-weighted assets	IMF	-	-	-	-	17.3	17.6
	Credit to the private sector, % of GDP	WB	78.0	83.8	82.8	81.8	81.8	-
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	134.2	128.6	131.5	125.7	111.5	-
	Income share of bottom 50%, %	WID	19.1	19.2	19.2	19.2	19.2	-
	Labour-force participation rate, %	WB	79.2	78.5	78.7	79.5	79.9	-
	Old-age dependency ratio, %	UN	-	-	-	-	-	-
	Composite governance indicators*	WB	1.6	1.5	1.5	1.5	1.5	-
	Political stability, index	WB	0.6	0.6	0.6	0.6	0.7	0.6

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

**Analyst**

Eiko Sievert  
+49 69 6677389-79  
[e.sievert@scoperatings.com](mailto:e.sievert@scoperatings.com)

**Team Leader**

Alvise Lennkh-Yunus  
+49 69 6677389-85  
[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

**Related research**

[Germany's borrowing to rise by EUR 625bn for infrastructure and defence, March 2025](#)  
[Germany's inflection point: new coalition government needs multi-pronged approach to reform, February 2025](#)  
[Germany's election: reform momentum strengthens even if debt-brake reform remains challenging, February 2025](#)  
[Higher defence spending to weaken EU credit profiles, even if fiscal rules eased, February 2025](#)  
[EU sovereigns face multiple risks to credit outlook from shifts in US policy, February 2025](#)  
[Germany: industrial, labour, tax reforms essential to revive growth amid geopolitical challenges, February 2025](#)

**Applied methodology**

[Sovereign Rating Methodology, January 2025](#)

**Scope Ratings GmbH**

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

**Scope Ratings UK Limited**

52 Grosvenor Gardens  
London SW1W 0AU  
Phone: +44 20 7824 5180  
[info@scoperatings.com](mailto:info@scoperatings.com)



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

**Disclaimer**

© 2025 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Rating are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.