

# Scope completed a monitoring review of the Federal Republic of Germany

## Monitoring review announcement

Scope Ratings GmbH (Scope) monitors and reviews its credit ratings on an ongoing basis and at least annually, or every six months in the case of sovereigns, sub-sovereigns, and supranational organisations.

Scope performs monitoring reviews to determine whether material changes and/or changes in macroeconomic or financial-market conditions could have an impact on the credit ratings. Scope considers all available and relevant information when undertaking the monitoring review.

Scope completed the monitoring review for the Federal Republic of Germany (long-term local- and foreign-currency issuer and senior unsecured debt ratings: AAA/Stable; short-term local- and foreign-currency issuer ratings: S-1+/Stable) on 2 May 2023.

This monitoring note does not constitute a credit rating action, nor does it indicate the likelihood that Scope will conduct a credit rating action in the short term. Information about the latest credit rating action connected with this monitoring note along with the associated rating history can be found on [www.scoperatings.com](http://www.scoperatings.com).

For the updated rating report accompanying this review, click [here](#).

## Key rating factors

The Federal Republic of Germany's long-term AAA/Stable ratings are underpinned by the following credit strengths: i) its wealthy, large, diversified economy; ii) its robust fiscal policy framework and strong track record of fiscal discipline; and iii) a highly competitive external sector.

Challenges relate to: i) transition risks for energy-intensive industries given carbon neutrality targets and low levels of public and private sector investment relative to peers; and ii) an ageing population, resulting in rising pension liabilities and downward pressure on the country's medium-run growth potential.

Germany's post-pandemic recovery has been relatively slow when compared with peer countries as global supply chain disruptions held back industrial output and sharply higher inflation following the escalation of the Russia-Ukraine war slowed consumption growth. As such, economic momentum remained subdued in 2022 with GDP increasing by 1.8% and total output slightly below pre-pandemic levels at the end of the year, while most other highly rated countries and the Euro Area as a whole have seen stronger rebounds. Despite order books remaining full, continued supply chain limitations for intermediate products, high energy prices and labour shortages are all holding back production. Scope expects low growth of 0.2% in 2023 as falls in real incomes depress investment spending and consumption, before accelerating to 1.7% in 2024. An ageing population and low levels of investment mark material headwinds for the long-term growth potential, which

Scope estimate at 0.9%.

The Stable Outlook reflects Scope's view that the risks Germany faces over the next 12 to 18 months are well balanced.

The rating/Outlook could be downgraded if, individually or collectively: i) protracted fiscal deterioration and/or insufficient reforms on pension commitments resulted in a persistent increase in public debt; and/or ii) the country's growth potential and/or growth outlook deteriorated significantly.

The methodology applicable for the reviewed ratings and rating Outlooks (Sovereign Rating Methodology, 27 September 2022) is available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

This monitoring note is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0.

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## About Scope Group

With more than 250 employees operating from offices in Berlin, Frankfurt, Hamburg, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG and fund analysis. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. **Scope Ratings** is the largest European credit rating agency, registered in accordance with EU and UK rating agency regulation, offering opinion-driven and non-mechanistic credit risk analysis. **Scope ESG Analysis** provides tools for analysing and reporting on ESG impact and risk, as well as second-party opinions on green, social and sustainable bonds. **Scope Fund Analysis** rates more than 10,000 funds and asset managers across all major asset classes. The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on [www.scopegroup.com](http://www.scopegroup.com)

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