Research Update:

Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable

March 24, 2023

Overview

- We believe the German economy will narrowly avoid recession in 2023, thanks to government support and the absence of energy supply shortages over the next 12 months.
- We project general government deficits will average slightly over 2% of GDP annually through 2026.
- Germany's wealthy and diversified economy, its substantial net external creditor position, and the moderate public debt burden continue to provide sufficient rating buffers.
- We have affirmed our unsolicited 'AAA/A-1+' ratings on Germany and maintained the stable outlook.

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Rating Action

On March 24, 2023, S&P Global Ratings affirmed its unsolicited 'AAA/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Germany. The outlook is stable.

Outlook

The stable outlook reflects our opinion that Germany's external and fiscal buffers, diversified economy, and proven institutional effectiveness will continue to provide sufficient rating buffers over the next two years.

Downside scenario

We could lower our ratings if Germany's fiscal position worsened significantly beyond our projections, with low prospects for improvement, and debt or contingent liabilities increased significantly. This would likely coincide with much deeper and protracted economic scarring in Germany or other adverse and unexpected developments, such as the deterioration of the European Central Bank's (ECB's) monetary flexibility.

Rationale

Effective government support measures, moderately firming external demand--including from the Chinese economy reopening--and the absence of energy supply shortages will enable Germany's open economy to avoid a recession in 2023, despite rising global interest rates and the effects of higher energy prices. In our view, growth in 2024 will remain challenging, as the external environment and geopolitics remain volatile. Another uncertainty is the forecast for inflation, which has increasingly become more broad based and will only fall to the ECB's target range of about 2% in 2025, according to our forecasts.

Effective support to the private sector against the ongoing energy crisis, higher energy transition investment, and additional defense spending will mean that Germany's fiscal balances will remain in deficit over the next few years, although narrowing from about 3.5% of GDP in 2023 to below 2.0% in 2025. This will help stabilize net debt as a share of GDP below 60% over the next several years, helped by high nominal growth. Still, we expect interest expenses to rise continuously, to nearly 3% of public revenue. Germany's external position should recover slightly after last year's substantial terms-of-trade shock. We expect the current account to average slightly above 5% of GDP through 2026. This will further support one of the strongest net external creditor positions of any economy globally.

Despite the challenging economic outlook, we continue to view Germany's economy as competitive and resilient, and its institutions and policy-making as effective and stable. Further rating strengths include Germany's eurozone membership, the ECB's credible and flexible monetary policy, and moderate public debt levels in an international comparison.

Institutional and economic profile: We believe Germany's economy will stagnate this year and that medium-term growth will remain subdued

- We have recently revised up our real growth forecast for 2023 to marginally above 0%, from -0.5% previously.
- High interest rates, surging inflation, and only partially recovering external demand will dampen growth after 2023.
- Authorities have rolled out substantial fiscal measures to shield households and firms from higher energy tariffs--including tax relief, transfers, subsidies, loan guarantees, and direct intervention in the energy market.

2023 will be another challenging year for the German economy. Timely and large-scale government measures to partially shield households and firms from rising energy prices should prevent the economy from entering into a full recession in 2023. Nevertheless, growth is expected to approach 0% this year, before recovering to just under 1% in 2024, though the conflict in Ukraine, rising interest rates, and uncertain geopolitics will remain risks to Germany's open economy over the next several years.

Despite these risks, our base-case expectation is that there will be no energy supply shortages over the next 12 months thanks to ongoing supply diversification, including a larger share of liquefied natural gas (LNG); effective energy demand reduction by about 15% over the past few months; and a mild winter, which has been a boon for storage levels. The reopening of the Chinese economy should moderately support export performance, given that China is the second-largest export market for Germany after the United States. However, rising tension between China and

NATO members over the war in Ukraine could spill over into trade.

Another significant drag on GDP growth over the next 12 months is likely to be persistently high price inflation. Higher inflation has increased wage pressure in an already tight labor market, where unemployment, at 3.0% as of Jan. 31, 2023, is the second lowest in the G7 after Japan (and less than half of the euro area average of 6.7%). We project the unemployment rate will rise only marginally over the next several months, while wage growth should pick up only moderately. This, coupled with sluggish external demand, will support a slight shift toward domestic demand-driven growth for Germany's generally export-oriented economy over the next few years.

Fears of energy rationing have yet to materialize, and we currently do not expect any necessity for such measures over the next 12 months. This is the case despite the previously high share of Russian energy imports in Germany's energy mix, also in the form of natural gas. First, effective government intervention, mainly in the form of a €200 billion support program, helped to shield households and companies against the worst of rising energy prices while safeguarding the energy supply and investment in critical energy infrastructure. This includes investments in LNG terminals and alternative energy production. Second, private households' demand reduction and the adaptability of Germany's industrial sector have reduced Germany's natural gas consumption by about 15% over the past few months versus a year ago. Third, a relatively mild winter has allowed Germany's ample gas storage facilities to remain well over 60% filled, compared with about 25% one year ago. Fourth, Germany has ramped up gas deliveries from alternative sources since Russia cut supplies, replacing some of the missing deliveries. This includes increased natural gas supply from the Netherlands and Norway, but will also include LNG supply over the next years, most importantly from the U.S. and Qatar. If most of these investments proceed as planned and if savings measures are partially sustained, we believe that a permanent decoupling of Germany's economy from Russian energy imports is largely possible in the near term.

The convergence of several issues underpins the need for careful management of risks to the country's competitiveness as a manufacturing hub in Europe. Automotive production constitutes almost 4% of Germany's gross value added, and cars and vehicle parts account for almost 20% of exports. German vehicles and components are up against major structural and regulatory hurdles, particularly due to tightening emissions standards and technological changes, as well as trade policy uncertainties. Further structural hurdles include an aging workforce, high corporate taxes, and generally high energy prices.

The German government--a coalition between the Social Democrats, Greens, and Liberal Party--has effectively responded to challenges in the energy markets, underpinning our view of Germany's generally effective and prudent policy-making. It established several support packages targeted at consumers and corporates, which were significantly affected by energy market developments most importantly in the form of a €200 billion "protective shield" program (about 5% of 2022 GDP), which provides support measures against the ongoing energy crisis in 2022-2024. In addition to imposing sanctions on Russia, the government has announced a substantial increase in military spending of €100 billion. We expect this will take several years to fully implement. At the same time, we expect Germany will speed up plans to increase its energy independence and foster renewable energy production.

Flexibility and performance profile: Germany's fiscal deficits will remain elevated over the next two years but we expect them to narrow to below 2% of GDP by 2025

- Net debt will stabilize at below 60% of GDP by 2025, while interest expenses, though rising, will remain below 3% of public revenue.

- Germany's external accounts will only partially recover following last year's significant terms-of-trade shock but remain in significant surplus.
- Although inflation is declining from record levels last year, it appears to be increasingly broad based, which we believe will result in further monetary policy tightening by the ECB over the next few months.

We have revised up our expectations of Germany's general government deficit to about 3.5% of GDP in 2023. This is despite the reinstatement of the debt-brake rule, which significantly restricts net new borrowing to 0.35% of GDP (plus an economic adjustment component) at the federal level and forbids net new borrowing at all lower tiers of government. However, several government spending programs are exempt from the rule, including the €200 billion "protective shield" program; €100 billion of additional military spending over several years; and additional energy-related investments under the "climate and transformation fund", which will well exceed €100 billion over the next three years.

Accordingly, we revised up our medium-term general government deficits projections to an average slightly below 2% of GDP between 2024-2026. However, we believe that the medium-term path of Germany's finances has become more uncertain. Further medium- to long-term spending could stem from additional energy-related investment or from Germany's adverse demographic profile in the form of higher health care, elderly, and retirement benefits. For now, estimated age-related spending pressures appear to be moderate in a European comparison (see "Global Aging 2023: The Clock Ticks," published Jan. 18, 2023, on RatingsDirect). We expect further reforms of the pension system over the next few years, because we understand this is a policy priority for the government to ensure the long-term sustainability of public finances. This is also true for the health insurance system and for increasing expenditure in elderly care insurance.

The surge in borrowing over 2020-2022 to finance economic support packages related to the pandemic and the energy crisis propelled gross and net debt to about 68% and 60% of GDP, respectively, in 2020-2022. Despite our increased projections for public deficits over the next few years, we still believe government debt, net of liquid government assets, will remain narrowly below 60% of GDP through 2026, thanks to rising nominal GDP. The government also retains significant cash buffers, and we expect these will cover a significant share of future deficits, reducing gross debt to about 62% of GDP by 2026. Although the ECB's policy rate increases will continue to feed through public interest expenses, we expect Germany's interest burden to rise only moderately in a global comparison. Although continuously increasing, interest costs will remain below 3% of general government revenue throughout our forecast, versus 5.6% in 2011 (see "Sovereign Debt 2023: Developed Europe Government Borrowing Estimated At $1.7 Trillion," published March 9, 2023). In our calculations of government debt, we exclude liabilities arising from the various multilateral financial support mechanisms, namely the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) in the eurozone (see "S&P Clarifies Its Approach To Accounting For EFSF Liabilities When Rating The Sovereign Guarantors," published Nov. 2, 2011). These liabilities amounted to about €56 billion (1.5% of GDP) in 2022.

As elsewhere, inflation in Germany has increased sharply over the last year and is estimated at 9.3% in February (HICP, Harmonized Index of Consumer Prices). Energy and food price increases still represent the most important components, rising by an estimated over 20% and 22%, respectively, year on year. Headline inflation figures seem to have peaked at 11.6% in October 2022--the highest rate since 1996, the year the HICP statistics started to be compiled. Price increases initially occurred in the wake of the recovery from the pandemic, as a combination of release of pent-up demand, supply chain bottlenecks, and rising food prices, before shifting toward energy prices as a primary driver in 2022 in the wake of the conflict in Ukraine. Over the past few months, inflation has become increasingly broad based, also on the back of a robust labor market. We expect this trend to continue, resulting in stronger core inflation of about 4.7% this year. In 2024, we expect core inflation, at 3.6%, will outpace headline inflation of 2.9%. Although overall inflation will continue to decline over the next years, it will still exceed the ECB's target annual inflation rate of slightly above 2%, which we believe Germany will not reach before 2025.

The high inflation rates in Germany and across the eurozone have prompted the ECB to continuously raise its key policy rates by a cumulative 3.5% since July 2022, with the interest rate on the main refinancing operations currently standing at 3.5%. We expect further rate hikes, but their magnitude will critically depend on the prognosis for inflation across the European Monetary Union, which we expect will remain elevated over the next two years. Accordingly, we expect the current rate hikes will take several years to reverse. In our view, Germany's eurozone membership reduces its individual monetary flexibility. However, the country has also benefited from the euro with regard to its export-oriented economy and lower interest costs previously supported by the ECB's large scale asset-purchase programs.

Last year's terms-of-trade shock on the back of an increasing energy import bill significant reduced Germany's large current account surpluses to about 4.5% in 2022 and we expect only a partial recovery over the next years. We expect current account balances will average slightly above 5% of GDP through 2026, which is much lower than the average of 8% of GDP recorded before the pandemic. The slight recovery of external balances will come on the back of a small recovery of the terms of trade as energy prices moderate and a partial recovery in exporting industries, as well as strong annual investment incomes from assets held abroad. In general, Germany's large current account position reflects the country's export competitiveness combined with demand from trading partners, particularly in emerging markets. It also reflects Germany's lower investment rate than the eurozone average, tighter fiscal stance than trading partners, and one of the highest household savings rates in the euro area, reflecting the country's aging population and other structural and cultural factors. These current account surpluses will contribute to an average net asset position of about 120% of current account receipts (CARs). In that period, we project that narrow net external debt will decline to an average 69% of CARs over the next years. Consequently, we forecast that gross external financing needs will average about 200% of CARs and usable reserves. The size of external assets also reflects movements in Germany's high Target 2 claims on the Eurosystem, which have exceeded €1 trillion since July 2020 and currently stand above €1.1 trillion.

We expect the German banking sector will manage the challenging economic outlook of the next two years, thus maintaining a relatively robust domestic asset quality, and keep the cost of risk and non-performing loans (NPLs) under control. In our view, Germany's banks are bolstered by the national economy's demonstrated ability to absorb large financial shocks and by the government's significant supportive economic stimulus in difficult market conditions. With the ECB raising interest rates, we anticipate nominal house price declines of 2.0% and 1.0% in 2023 and 2024 and that German new residential mortgage business will slow further. We now expect that German banks will see modest increases in estimated domestic credit losses of 50 basis points (bps) to 60bps of domestic loans, while NPLs remain contained at 1.3%-1.4% of total system loans mostly generated by the corporate sector (see "Robust German Banking Industry Weathers Increased Geopolitical Economic Risk," published Feb. 16, 2023).

Furthermore, we think low cost efficiency and lagging digitalization remain key problems for the banking sector. Competition will stay high because Germany remains an attractive funding market for domestic and international banks alike. Further risks to the sector pertain to structural longer-term profitability challenges due to poor cost efficiency and persistent risks from technology disruption.

Key Statistics

Table 1

Germany--Selected Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Economic indicators (%)										
Nominal GDP (bil. LC)	3,267	3,365	3,473	3,405	3,602	3,858	4,078	4,230	4,395	4,540
Nominal GDP (bil. $)	3,691	3,975	3,888	3,890	4,260	4,063	4,375	4,757	5,120	5,310
GDP per capita (000s $)	44.7	48.0	46.8	46.8	51.2	48.8	52.5	56.9	61.0	63.1
Real GDP growth	2.7	1.0	1.1	(3.7)	2.6	1.9	0.0	0.9	1.9	1.7
Real GDP per capita growth	2.2	0.7	0.8	(3.9)	2.6	1.8	(0.2)	0.7	1.3	1.5
Real investment growth	2.6	3.4	1.9	(2.3)	1.2	0.2	(1.0)	1.7	3.0	2.7
Investment/GDP	21.0	21.9	22.1	22.1	23.3	24.6	23.5	23.3	23.5	23.8
Savings/GDP	28.8	29.9	29.7	29.1	30.6	29.1	28.1	28.4	28.7	29.0
Exports/GDP	47.2	47.3	46.7	43.0	47.0	50.6	52.2	53.3	54.1	55.1
Real exports growth	4.9	2.2	1.3	(9.3)	9.7	3.2	1.9	3.1	2.9	3.1
Unemployment rate	3.6	3.2	3.0	3.7	3.6	3.0	3.2	3.2	3.1	3.0
External indicators (%)										
Current account balance/GDP	7.8	8.0	7.6	7.0	7.4	4.5	4.6	5.1	5.2	5.2
Current account balance/CARs	14.1	14.1	13.5	13.6	13.1	7.3	7.4	8.0	8.2	8.0
CARs/GDP	55.6	56.6	55.9	51.5	56.2	61.0	62.6	63.5	64.1	65.1
Trade balance/GDP	7.8	6.6	6.2	5.6	5.4	2.9	2.9	3.4	3.6	3.5
Net FDI/GDP	(1.0)	(0.6)	(2.2)	0.1	(2.8)	(2.0)	(1.8)	(1.8)	(1.8)	(1.8)
Net portfolio equity inflow/GDP	(2.4)	(2.3)	(2.3)	(4.2)	(4.6)	(3.5)	(2.5)	(2.5)	(2.5)	(2.5)
Gross external financing needs/CARs plus usable reserves	197.5	201.2	204.2	212.2	217.5	224.3	211.7	201.7	195.3	192.1
Narrow net external debt/CARs	67.7	57.1	62.3	85.6	80.6	81.1	76.3	70.9	66.9	65.0
Narrow net external debt/CAPs	78.8	66.5	72.1	99.1	92.8	87.5	82.4	77.1	72.9	70.7
Net external liabilities/CARs	(82.5)	(87.6)	(106.0)	(135.0)	(121.7)	(126.9)	(123.2)	(120.8)	(118.6)	(117.3)
Net external liabilities/CAPs	(96.1)	(102.0)	(122.5)	(156.2)	(140.0)	(137.0)	(133.1)	(131.3)	(129.1)	(127.5)

Table 1

Germany--Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Short-term external debt by remaining maturity/CARs	129.3	133.3	136.4	149.5	155.1	158.5	142.0	129.5	121.1	116.5
Usable reserves/CAPs (months)	1.3	1.2	1.3	1.5	1.6	1.6	1.4	1.3	1.2	1.1
Usable reserves (mil. $)	200,666	198,118	223,408	269,193	296,719	295,173	296,047	296,047	296,047	296,047
Fiscal indicators (general government; %)										
Balance/GDP	1.3	1.9	1.5	(4.3)	(3.7)	(3.5)	(3.5)	(2.2)	(1.9)	(1.4)
Change in net debt/GDP	(2.5)	(1.2)	(0.1)	5.0	3.8	3.2	3.1	2.0	1.8	1.4
Primary balance/GDP	2.4	2.9	2.3	(3.7)	(3.2)	(2.7)	(2.4)	(1.0)	(0.6)	(0.1)
Revenue/GDP	45.5	46.3	46.5	46.1	47.5	47.6	47.3	46.5	46.5	46.5
Expenditures/GDP	44.2	44.3	45.0	50.4	51.3	51.1	50.7	48.7	48.4	47.9
Interest/revenues	2.3	2.0	1.7	1.4	1.2	1.5	2.3	2.6	2.7	2.8
Debt/GDP	62.9	59.6	57.2	67.6	68.1	68.5	66.4	64.4	62.9	61.7
Debt/revenues	138.1	128.7	123.0	146.8	143.4	143.9	140.5	138.4	135.4	132.7
Net debt/GDP	58.7	55.9	54.0	60.0	60.6	59.8	59.7	59.5	59.1	58.6
Liquid assets/GDP	4.1	3.7	3.3	7.6	7.6	8.7	6.7	4.9	3.9	3.1
Monetary indicators (%)										
CPI growth	1.7	1.9	1.4	0.3	3.2	8.7	6.7	2.9	2.0	1.6
GDP deflator growth	1.5	2.0	2.1	1.8	3.1	5.1	5.7	2.8	2.0	1.6
Exchange rate, year-end (LC/$)	0.83	0.87	0.89	0.81	0.88	0.94	0.93	0.87	0.86	0.86
Banks' claims on resident non-gov't sector growth	4.2	3.9	4.9	4.1	5.3	6.8	5.7	3.7	3.9	3.3
Banks' claims on resident non-gov't sector/GDP	87.3	88.0	89.4	95.0	94.6	94.3	94.3	94.3	94.3	94.3
Foreign currency share of claims by banks on residents	2.7	2.6	2.4	2.3	2.3	2.0	2.3	2.3	2.3	2.3
Foreign currency share of residents' bank deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real effective exchange rate growth	0.1	2.6	0.4	0.5	(2.2)	N/A	N/A	N/A	N/A	N/A

Sources: Eurostat (economic indicators), Deutsche Bundesbank (external indicators), Eurostat (fiscal indicators), and Deutsche Bundesbank and IMF (monetary indicators).

Table 1

Germany--Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026

Adjustments: Government debt adjusted by excluding guarantees on debt issued by the European Financial Stability Facility.

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Germany--Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	2	Germany has strong institutions and a proven track record of crisis management and long-term economic growth, but coordination requirements at the EU or euro area level might hinder timely policy response. Germany benefits from generally effective checks and balances and free flow of information.
Economic assessment	1	Based on GDP per capita ($) as per the Selected Indicators table above.
External assessment	1	Based on narrow net external debt as per Selected Indicators in Table 1. In the context of our external assessment, we consider Germany, a member of the Economic and Monetary Union, as if the currency was actively traded. The sovereign is displaying current account surpluses over the forecast horizon.
		The sovereign has external short-term debt by remaining maturity that generally exceeds 100% of current account receipts (CARs), as per Selected Indicators in Table 1.
		The sovereign’s net international investment position is more favorable than the narrow net external debt position by over 100% of CARs, as per Selected Indicators in Table 1.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	2	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1.
Monetary assessment	2	In the context of our monetary assessment, we consider the euro a reserve currency.
		The European Central Bank has an established track record in monetary policy independence with clear objectives and a wide array of policy instruments, including targeted and broad asset purchase programs.
		Germany is a member of the Economic and Monetary Union.
Indicative rating	aaa	As per Table 1 of "Sovereign Rating Methodology.

Table 2

Germany--Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	AAA	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	AAA	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, March 15, 2023
- Sovereign Ratings List, March 15, 2023
- Sovereign Ratings Score Snapshot, March 2, 2023
- Sovereign Risk Indicators, Dec. 12, 2022. An interactive version is also available at www.spratings.com/sri
- Sovereign Debt 2023: Developed Europe Government Borrowing Estimated At $1.7 Trillion, March 9, 2023
- Global Macro Update: Post-Davos, We Reaffirm Our View, Jan. 26, 2023
- Global Aging 2023: The Clock Ticks, Jan. 18, 2023
- Economic Research: The Underbelly Of Germany's Export Prowess, Sept. 7, 2022
- Europe Braces For A Bleak Winter: A Downside Scenario Assuming A Russian Gas Cutoff, Aug. 29, 2022

- Default, Transition, and Recovery: 2021 Annual Global Sovereign Default And Rating Transition Study, May 4, 2022
- Banking Industry Country Risk Assessment: Germany, Oct. 5, 2021

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Germany	
Sovereign Credit Rating |U~	AAA/Stable/A-1+
Transfer & Convertibility Assessment |U~	AAA
|U~ Unsolicited ratings with no issuer participation, and/or no access to internal documents, and/or no access to management.	

This unsolicited rating(s) was initiated by a party other than the Issuer (as defined in S&P Global Ratings' policies). It may be based solely on publicly available information and may or may not involve the participation of the Issuer and/or access to the Issuer's internal documents and/or access to management. S&P Global Ratings has used information from sources believed to be reliable based on standards established in our policies and procedures, but does not guarantee the accuracy, adequacy, or completeness of any information used.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914