Date of Release: 30 May 2025

Morningstar DBRS Confirms Federal Republic of Germany at AAA, Stable Trend

Industry: Governments
Subindustry: Sovereigns
Region: Europe

DBRS Ratings GmbH (Morningstar DBRS) confirmed the Federal Republic of Germany's (Germany) Long-Term Foreign and Local Currency – Issuer Ratings at AAA. At the same time, Morningstar DBRS confirmed Germany's Short-Term Foreign and Local Currency – Issuer Ratings at R-1 (high). The trend on all ratings is Stable.

KEY CREDIT RATING CONSIDERATIONS

The Stable trend reflects Morningstar DBRS' view that Germany's credit fundamentals remain solid notwithstanding a more uncertain external environment and a projected gradual widening of fiscal deficits over the next few years. Germany's new coalition government faces the dual challenge of bolstering subdued economic growth dynamics and the country's defence capabilities against the backdrop of higher geopolitical and global trade tensions. The government's fiscal leeway for stepping up defence and infrastructure spending has been increased markedly by the loosening of the constitutional debt brake in March 2025 which, in turn, is likely to raise fiscal deficits in coming years. The IMF forecasts the general government budget deficit to widen from 2.8% of GDP in 2024 to 4.1% in 2028. As a result, the public debt-to-GDP ratio is projected to increase from 62.5% to 70.4% during the same period. Nevertheless, Morningstar DBRS takes the view that the government's debt affordability will remain very high over the medium-term, underpinned by a low interest burden, a still moderate stock of public debt and the country's status as a safe haven. Over the longer-term, however, reversing the upward trend in the debt trajectory is likely to require significant policy effort, particularly in case higher defence and infrastructure spending levels are maintained. This includes the adoption of fiscal consolidation measures which would offset the impact of higher-for-longer defence and infrastructure spending and structural reforms which strengthen the economy's low growth potential.

Germany's AAA ratings are supported by its competitive and highly developed economy and high institutional quality. Furthermore, external finances are strong and resilient to potential shocks. However, the economy faces large challenges such as population ageing and structural changes within important manufacturing industries. Furthermore, contingent liabilities, emanating from state guarantees for domestic companies and fiscal burden sharing within the currency union could eventually weigh on public finances.

CREDIT RATING DRIVERS

Morningstar DBRS could downgrade the credit ratings if public debt metrics deteriorate markedly on the back of weak growth and persistently large fiscal deficits. Moreover, a materialisation of substantial contingent liabilities could put negative pressure on the credit ratings.

CREDIT RATING RATIONALE

New Government Faces Important Domestic and External Challenges

Germany's new government was formed in early May 2025 between the center-right Christian Democrats and the center-left Social Democrats. The new coalition government faces large challenges such as reinvigorating sluggish economic growth and confronts a more uncertain external environment characterised by rising geopolitical and global trade tensions. The new government's fiscal leeway has been increased markedly by the change in the constitutional debt brake in mid-March which exempted defence spending above 1% of GDP from debt brake stipulations and set up a special fund for infrastructure investment over the next 12 years in the amount of EUR 500 billion (11.6% of GDP 2024) outside the debt brake. Although domestic political polarization continues to be less pronounced than in some other advanced economies, it has increased in recent years. The parliamentary election in February 2025 led to rising shares of parliamentary seats for political parties at the edges of the political spectrum. Moreover, a potential further decline in employment levels in key industries such as car manufacturing might raise political polarisation in affected areas. At the same time, the country's high institutional quality remains a key strength of its credit profile. Germany is a strong performer on the World Bank's Governance Indicators reflecting a high rule of law, low levels of corruption and stable political and economic institutions.

Economic Growth Dynamics are Projected to Remain Subdued in 2025 But to Gain Strength in 2026 on the Back of Fiscal Stimulus

After contracting by a total of 0.5% in 2023 and 2024, real GDP expanded by 0.4% on a quarter-on-quarter basis in Q1 2025. This recovery, however, was partly driven by one-off effects such as a frontloading of exports prior to the announcement of US tariffs in early April. Private consumption strengthened in Q1 2025 but is now still only 0.2% above its 2022 Q3 level - notwithstanding a further catch-up of real wages over the past year. This weak recovery can partly be ascribed to still subdued consumer sentiment in tandem with weakening labour market developments. The unemployment rate (ILO definition) rose to, an albeit still low, 3.5% in March 2025, up from 2.9% two years earlier. Moreover, while overall employment levels remained broadly stable, employment losses in certain key export industries such as automotives were pronounced with employment in car manufacturing declining by 5.8% on a year-on-year basis in March 2025.

Looking ahead, economic activity is projected to remain subdued in 2025 based on the expectations that domestic demand will recover only gradually and external headwinds for the German economy have increased since April on the back of global trade tensions. Instead, growth dynamics are likely to gain strength in 2026, driven by higher public spending particularly for defence and infrastructure. The German Council of Economic Experts (GCEE) forecasts real GDP to stagnate in 2025 but to expand by 1.0% in 2026. Apart from higher public investment, the new government seeks to bolster growth dynamics by lowering energy costs, streamlining business regulations and incentivizing private investment through accelerated depreciation methods and a gradual decrease in the corporate tax rate from 2028 onwards. At the same time, the medium-term growth outlook is exposed to unfavourable demographic trends on the back of the upcoming retirement of large age cohorts of the baby boomer generation. Furthermore, important manufacturing industries face large structural challenges such as the global energy transition and the automotive industry's transformation towards electric vehicle production. Nevertheless, Germany's credit profile continues to be supported by its competitive and highly developed economy and its high level of labour productivity.

Fiscal Deficits are Projected to Widen Over the Medium-Term on the Back of Higher Defence and Infrastructure Spending

The general government budget deficit widened to 2.8% of GDP in 2024 from 2.5% in 2023. While public finances benefited from the phase-out of the gas and electricity brakes in March 2024, this was more than offset by rising social benefits and a step-up in spending by the special fund for the military and higher investment in rail infrastructure. The increase in social benefits resulted both from cyclical factors and the backward indexation of social benefits to inflation in January 2024. In general, budgetary pressures are more pronounced than in pre-pandemic years which can largely be ascribed to higher expenditures levels. Between 2019 and 2024, the share of total general government expenditure rose by around 4 percentage points of GDP whereas the share of total revenues at GDP remained broadly unchanged. The increase in expenditure levels can largely be ascribed to higher social and defense spending. The latter increased from 1.0% of GDP in 2019 to an estimated 1.9% in 2024, partly driven by rising spending from the EUR 100 billion special fund for the military which had been set up in March 2022 outside the debt brake.

Looking ahead, the general government budget deficit is projected to increase following the loosening of debt brake stipulations for defense spending and infrastructure spending. The IMF forecasts the general government budget deficit to widen gradually to 3.0% of GDP in 2025, 3.5% in 2026, 3.9% in 2027 and 4.1% in 2028. While no official defence spending target has been announced so far, annual defence spending is likely to increase by 1-2 percentage points of GDP over the medium-term. Furthermore, the coalition agreement puts planned spending by the new special fund for infrastructure at a total of EUR 150 billion (3.5% of GDP 2024) for the years 2025-2029.

The recent changes in the debt brake increase the government's leeway not only with regard to defence and infrastructure spending but also for other fiscal measures. Current defence spending levels in the core budget exceed the 1% of GDP threshold above which defence spending will be exempted from debt brake stipulations in future. This, in turn, frees up budgetary room for other measures. In addition, some of the already planned infrastructure projects might be shifted from the core budget to the special fund. The GCEE estimates the additional fiscal room under the revised debt brake at up to 1.2% of GDP. This additional fiscal space is likely to be partially utilized for additional deficit-raising measures which have been laid out in the coalition agreement such as a reduction in the VAT rate for restaurants, additional pension benefits for mothers and a reduction in electricity taxes. At the same time, the government's coalition agreement also commits to be compliant with EU fiscal rules. While the proposed activation of the national escape clause for defence spending of up to 1.5% of GDP between 2025-2028 raises the government's leeway, compliance with EU fiscal rules, particularly over the longer-term, is likely to confront the government with tough budgetary choices. In terms of the latter, Morningstar DBRS takes the view that a prioritization of fiscal measures which are likely to raise the growth potential of the economy would also strengthen fiscal balances over the longer-term by bolstering tax revenue growth.

Debt Affordability is Projectetd to Remain Very High Over the Next Years

Although public debt is projected to increase over the next years, debt affordability is likely to remain very high due to still moderate levels of public debt, a low interest burden and Germany's status as a safe haven. General government debt amounted to 62.5% of GDP in December 2024. The outlook for the government's debt trajectory has changed on the back of the loosening of the debt brake in mid-March. Based on the expectation of a gradual widening of fiscal deficits, the IMF now projects general government debt to rise to 70.4% of GDP in 2028, up from a forecast of 59.0% published in October 2024 which had been based on debt brake stipulations prior to the recent reform. Morningstar DBRS takes the view that the projected medium-term increase of debt levels to around 70% of GDP does not weaken Germany's credit fundamentals. At the same time, Morningstar DBRS views containing the upward trend in the debt trajectory over the longer-term as an important policy challenge. This, in turn, would most likely necessitate the adoption of significant fiscal consolidation measures and structural reforms which raise the growth potential of the economy in a sustained manner.

Risks to public finances emanate from a materialization of implicit or explicit contingent liabilities. This has been illustrated by support measures to the energy company Uniper and Siemens Energy in recent years. Nevertheless, while the increase in interest rates is projected to raise the government's interest burden moderately, it remains low and continues to compare favourably with European peers and in a historical perspective. The IMF forecasts the general government's interest burden to rise to 1.3% of GDP in 2028 from 0.9% in 2024. Government financing benefits from the government's role as a benchmark issuer for the euro area. Germany's safe-haven status as well as its very strong debt repayment capacity supports the "Debt and Liquidity" building block assessment.

Financial Condition of the Banking Sector Is Sound but Downside Risks for Asset Quality Have Increased Gradually

Financial stability is supported by the banking sector's good capital buffers. The average Tier 1 capital adequacy ratio rose to 18.3% in December 2024 from 17.2% in December 2022, driven by a temporary increase in profitability related to higher net interest income. At the same time, the challenging economic environment has started to take a toll on asset quality, albeit only in a gradual manner. The

NPL ratio rose to 1.8% at end 2024 from 1.2% two years earlier. Moreover, according to ECB data, the share of Stage 2 loans at total loans at significant banks has increased from 11.5% at end 2023 to 15.3% at end 2024 which might indicate a further increase in NPL in future. Pockets of vulnerability might arise from banks' exposure to the commercial real estate sector (15.6% of total domestic private loans in December 2024) and, to a lesser extent, to the manufacturing (4.3%) and the construction (3.3%) sectors. Commercial real estate borrowers face repricing risks over the next years and segments such as retail and office are exposed to structural challenges such as a rising importance of remote work and e-commerce. In terms of household mortgages (37.4% of total domestic private loans in December 2024), the pass-through of higher interest rates has been contained by long interest rate fixation periods of most mortgages. Furthermore, households' repayment capacity is supported by the comparatively low level of household debt (50% of GDP in Q3 2024). In view of the asset quality risks emanating from the recent increase in stage 2 loans, Morningstar DBRS applies a negative qualitative adjustment to the 'Monetary Policy and Financial Stability' building block assessment.

External Finances Remain Strong

While external headwinds for the German economy have increased, external finances remain strong. The GCEE forecasts the current account surplus to narrow from 5.7% of GDP to a still large 3.6% in 2025 and 3.2% in 2026 as weakening external demand is projected to weigh down exports in 2025 and strengthening domestic demand is likely to raise import demand. Furthermore, Morningstar DBRS assesses the economy's external vulnerability to potential global trade and financial shocks as low given Germany's status as a safe haven and its large net external asset position. In Q4 2024, Germany's net international investment position amounted to a large 81% of GDP owing to substantial foreign assets held particularly by non-depository financial institutions and, to a lesser extent, the central bank. This strong net external creditor position supports the "Balance of Payments" building block assessment.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental, Social or Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025) at https://dbrs.morningstar.com/research/454196.

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments: https://dbrs.morningstar.com/research/455335.

EURO AREA RISK CATEGORY: LOW

Notes:
All figures are in euros unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (15 July 2024) https://dbrs.morningstar.com/research/436000. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings https://dbrs.morningstar.com/research/454196 in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

The sources of information used for this credit rating include Germany's Federal Ministry of Finance (Annual Progress Report Germany, April 2025; Monthly Reports), German Finance Agency (Deutsche Finanzagentur), Deutsche Bundesbank (Monthly Reports; Financial Stability Review 2024, November 2024), Federal Ministry for Economic Affairs and Climate Action, Federal Statistical Office, Federal Financial Supervisory Authority (BaFin), European Banking Authority, German Council of Economic Experts (Spring Report 2025, May 2025), Ifo Institute, European Commission (European Economic Forecast Spring 2025, May 2025), Statistical Office of the European Communities, European Central Bank (ECB), IMF (World Economic Outlook April 2025; International Financial Statistics; Germany: 2024 Article IV Consultation July 2024), OECD, BulwienGesa AG (Housing Price Index), European Environment Agency, German Environment Agency, Social Progress Imperative (2025 AITi Global Social Progress Index), World Bank, Bank for International Settlements and Macrobond. Morningstar DBRS considers the information available to it for the purposes of providing this credit rating to be of satisfactory quality.

With respect to FCA and ESMA regulations in the United Kingdom and European Union, respectively, this is an unsolicited credit rating. This credit rating was not initiated at the request of the issuer.

With Rated Entity or Related Third Party Participation: YES
With Access to Internal Documents: NO
With Access to Management: NO

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: https://registers.esma.europa.eu/cerep-publication. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see https://data.fca.org.uk/#/ceres/craStats.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: https://dbrs.morningstar.com/research/455334/.

This credit rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit http://dbrs.morningstar.com.

Issuer	Debt Rated	Credit Rating Action	Credit Rating	Trend
Germany, Federal Republic of	Long-Term Foreign Currency - Issuer Rating	Confirmed	AAA	Stable
Germany, Federal Republic of	Long-Term Local Currency - Issuer Rating	Confirmed	AAA	Stable
Germany, Federal Republic of	Short-Term Foreign Currency - Issuer Rating	Confirmed	R-1 (high)	Stable
Germany, Federal Republic of	Short-Term Local Currency - Issuer Rating	Confirmed	R-1 (high)	Stable

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Germany

Scorecard Indicators

Fiscal Management and Policy	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source	Current Scorecard Input	
Overall Fiscal Balance (% of GDP)	1.3%	-4.4%	-3.2%	-2.1%	-2.5%	-2.8%	-3.0%	-3.5%	-3.9%	IMF WEO	13 year average	-1.4%
Government Effectiveness (Percentile Rank)	91.9	88.1	87.1	88.2	85.4	-	-	-	-	World Bank	5 year average	88.1
Debt and Liquidity	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
General Government Gross Debt (% of GDP)	58.7%	68.0%	68.1%	65.0%	62.9%	63.9%	65.4%	67.0%	68.5%	IMF WEO	5 year projection	72.5%
Interest Costs (% of GDP)	0.6%	0.5%	0.5%	0.6%	0.6%	0.9%	0.8%	1.0%	1.1%	IMF WEO	5 year average	0.8%
Economic Structure and Performance	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
GDP per Capita (USD thousands)	47.6	47.3	52.3	49.7	53.6	55.0	55.9	57.8	59.8	IMF WEO	10 year average	48.5
Output Volatility (%)	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%	-	IMF WEO	Latest	2.3%
Economic Size (USD billions)	3,958	3,937	4,351	4,167	4,527	4,659	4,745	4,912	5,083	IMF WEO	5 year average	4,328
Monetary Policy and Financial Stability	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Rate of Inflation (%, EOP)	1.4%	-0.6%	5.5%	10.8%	3.0%	2.5%	1.8%	2.0%	2.1%	IMF WEO	13 year average	2.6%
Total Domestic Savings (% of GDP)	229%	251%	252%	230%	230%	239%	-	-	-	ECB/IMF	Latest[1]	239%
Change in Domestic Credit (% of GDP)	2.8%	10.4%	-1.1%	-1.0%	-4.2%	-0.7%	-	-	-	BIS/IMF	7 year average[1]	1.0%
Net Non-Performing Loans (% of Capital)	7.4%	7.9%	6.9%	13.3%	16.1%	18.6%	-	-	-	Bundesbank	Latest[1]	18.6%
Change in Property Price/GDP Index (%)	2.6%	7.8%	-0.7%	-2.2%	-4.7%	-1.8%	-	-	-	BulwienGesa/IMF	7 year average[1]	0.7%
Balance of Payments	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Current Account Balance (% of GDP)	7.9%	6.3%	6.9%	3.8%	5.6%	5.7%	5.2%	5.0%	4.9%	IMF WEO	8 year average	5.4%
International Investment Position (% of GDP)	58.5%	64.2%	70.3%	70.0%	70.1%	81.3%	-	-	-	IMF	5 year average[1]	71.2%
Share of Global Foreign Exchange Turnover (Ratio)	205.6%	206.7%	210.0%	204.1%	206.9%	208.9%	-	-	-	BIS/IMF	Latest	208.9%
Exchange Rate Classification (see footnote)	5	5	5	5	5	5	-	-	-	IMF	Latest	5
Political Environment	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Voice and Accountability (Percentile Rank)	95.2	94.2	95.7	94.7	94.6	-	-	-	-	World Bank	5 year average	94.9
Rule of Law (Percentile Rank)	92.4	91.0	91.4	92.0	92.9	-	-	-	-	World Bank	5 year average	91.9

See Morningstar DBRS' Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.

[1] Scores for 2024 have been computed using the most recent data when year-end data is not available.

Rating Committee Date: 27-May-2025

Germany

Building Block Assessments and Rating Committee Summary

27-May-2025

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	18.21	Strong	N/A	Strong
Debt and Liquidity	14.39	Good	+ 2 Categories	Strong
Economic Structure and Performance	17.96	Strong	N/A	Strong
Monetary Policy and Financial Stability	19.14	Very Strong	- 1 Category	Strong
Balance of Payments	16.25	Strong/Good	+ 1 Category	Strong
Political Environment	20.00	Very Strong	N/A	Very Strong

Overall Assessment	Composite Scorecard Result	Scorecard Rating Range	Composite Building Block Assessment	Indicative Rating Range
	88.3	AAA - AA (high)	91.6	AAA - AA (high)

Germany's Long-Term Foreign Currency - Issuer Rating AAA

Main topics discussed in the Rating Committee include: the loosening of the debt brake and the fiscal outlook, the fiscal and economic policy agenda of the new government, recent economic developments and the economic outlook, the economy's growth potential, financial stability and external finances. For additional details on Morningstar DBRS analysis and opinions, please see the accompanying rating report.

Morningstar DBRS Scorecard: Scoring Ranges and Associated Assessment Categories

Lower Bound	0.00	1.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	17.00	19.00
Upper Bound	0.99	2.99	4.99	6.99	8.99	10.99	12.99	14.99	16.99	18.99	20.00
Assessment Category	Very Weak	Weak	Weak/ Poor	Poor	Poor/ Moderate	Moderate	Good/ Moderate	Good	Strong/ Good	Strong	Very Strong

Germany, Federal Republic of

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	N	N
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs	N	N
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N
		Resource and Energy Management	N	N
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	N	N
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	N	N
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights	N	N
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	N	N
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	N	N
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency	N	N
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N
		Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
		Peace and Security	N	N
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	N	N

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

Germany, Federal Republic of: ESG Considerations

30 May 2025

Environmental

There were no Environmental factors that had a significant or relevant effect on the credit analysis. Germany faces physical risks from climate change, particularly droughts and floodings, but Morningstar DBRS does not expect this to weigh on the credit ratings in the medium-term. From a credit perspective, environmental policies are generally sound. Similar to other EU countries, Germany has stepped up its GHG emission reduction target for the non-ETS sectors (e.g. transport, buildings, agriculture). It seeks to reduce its GHG emissions from non ETS-sectors by 50% until 2030 compared with 2005, up from the previous reduction target of 38%. The European Environment Agency estimates that Germany's total GHG emissions from non-ETS sectors declined by just 18.3% between 2005 and 2023. Hence, meeting the legally binding 2030 target will likely require an acceleration in the pace of GHG emission reductions over the next few years. Morningstar DBRS will continue to assess the credit impact of new regulatory and policy measures.

Social

There were no Social factors that had a significant or relevant effect on the credit analysis. Germany's respect for human rights is high, and access to quality healthcare and other basic services is widespread. Germany ranks 10 among the 170 countries assessed in the 2025 AITi Global Social Progress Index. Germany's economy is highly productive and competitive. GDP per capita amounted to a very high USD 54,990 in 2024. Income inequality is lower than in other advanced economies.

Governance

There were no Governance factors that had a significant or relevant effect on the credit analysis. Germany has independent and transparent institutions. Demonstrating a high degree of transparency and accountability, German institutions perform well in the World Bank's Worldwide Governance Indicators (WGI). Germany's 2023 percentile rank scores of 94.6 for Voice and Accountability and 92.9 for Rule of Law are very strong.

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