FitchRatings

# Germany

## Key Rating Drivers

**Strong Fundamentals Amid Structural Challenges:** Germany's 'AAA' rating is underpinned by its high per capita income, large and diversified economy, strong institutional framework, high current account surpluses and positive net international investment position. The rating is further supported by a longstanding commitment to fiscal conservatism and its status as the benchmark issuer in the eurozone. Despite these strengths, Germany faces several structural challenges which weigh on its growth prospects and put pressure on public finances.

**Stark Policy Changes:** The CDU-SPD coalition that came to power in May has rapidly made major changes to long-standing policies, including fiscal and geopolitical areas. The changes to the debt-brake rule (agreed in the final weeks of the previous parliament) will allow a substantial ramp up in infrastructure and defence spending to address persistent growth challenges and increase Germany's security position in Europe.

**Wider Deficits:** Fitch Ratings forecasts general government deficit at 3% of GDP in 2025 from 2.8% in 2024, as one-off measures boost revenue and offset expectations of only a modest ramp up in investment spending. We forecast the deficit will rise more quickly to an average of 3.9% of GDP in 2026-2027 (a level last reached in the early 2000s, excluding 2020), with defence spending increasing by close to 0.3pp a year. This is consistent with reaching Germany's newly announced 3.5% NATO defence spending target by 2029.

**Rising Debt:** The fiscal deficits and moderate nominal economic growth mean we expect Germany's general government debt/GDP to increase to 67.1% in 2027 and 70.4% in 2029, shifting from a previously declining path (62.5% in 2024). The debt ratio compares favourably with the eurozone average of 87.4% of GDP but is significantly above the 'AAA' rated median of 39.4% of GDP.

**Prudent Record:** Fitch believes Germany has the fiscal headroom to accommodate the planned hike in spending, with debt still well below the 80% peak reached in 2010. The country has a long record of fiscal prudence, and we expect a broad commitment to public finance sustainability to remain an important anchor for its 'AAA' rating. The government has pledged to offset some of the rise in spending with savings over the medium term, although there is limited detail on these measures.

**Growth to Pick Up:** We project growth of only 0.1% in 2025 as uncertainty around US tariffs weighs on economic sentiment. Net exports significantly boosted GDP in 1Q25 (up 0.3% quarter on quarter) but we expend this to reverse as the tariff impact becomes more pronounced, while private investment remains weak. Increased public spending will help lift growth to an average 1.1% in 2026-2027.

**Stable Inflation:** Headline inflation has converged to the 2% ECB target, helped by lower service inflation. We expect lower energy prices in 2026 to lead to slightly lower inflation. Recent euro appreciation and trade tensions could add further disinflationary pressures. As inflationary pressures have subsided and the labour market is softening, we see very modest pressure on wages over the forecast period.

**Sound Banking Sector:** The German banking sector scores 'a' on Fitch's banking system indicator, reflecting the sector's resilient asset quality, sound capitalisation and funding and liquidity profile. This should limit the impact on German banks' credit profiles from adverse geopolitical developments, including rising trade tensions. We expect the impaired loan ratio will increase to 2.2% at end-2025, which is still moderate.





## Ratings

| | |
|---|---|
| **Foreign Currency** | |
| Long-Term IDR | AAA |
| Short-Term IDR | F1+ |
| **Local Currency** | |
| Long-Term IDR | AAA |
| Short-Term IDR | F1+ |
| Country Ceiling | AAA |
| **Outlooks** | |
| Long-Term Foreign-Currency IDR | Stable |
| Long-Term Local-Currency IDR | Stable |

## Highest ESG Relevance Scores

| | |
|---|---|
| Environmental | 3 |
| Social | 4 |
| Governance | 5 |

## Rating Derivation

| | |
|---|---|
| Sovereign Rating Model (SRM) | AAA |
| Qualitative Overlay (QO) | 0 |
| Structural features | 0 |
| Macroeconomic | 0 |
| Public finances | 0 |
| External finances | 0 |
| Long-Term Foreign-Currency IDR | AAA |

## Data

| | 2025F |
|---|---|
| GDP (USDbn) | 4,957 |
| Population (m) | 84.9 |

Source: Fitch Ratings

## Applicable Criteria

Sovereign Rating Criteria (October 2024)
Country Ceiling Criteria (July 2023)

## Related Research

Fitch Affirms Germany at AAA; Outlook Stable (July 2025)
Global Economic Outlook (June 2025)
Interactive Sovereign Rating Model
Fitch Fiscal Index – Analytical Tool
Click here for more Fitch Ratings content on Germany

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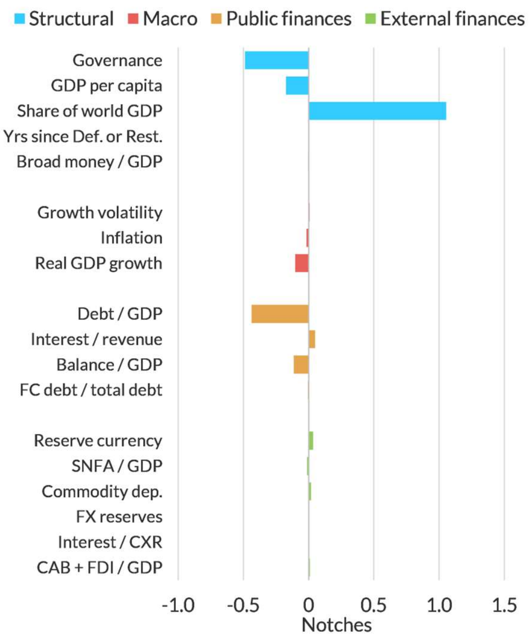
## Rating Summary

### Long-Term Foreign-Currency Issuer Default Rating: AAA

### Sovereign Rating Model: AAA

**Contribution of variables, relative to AAA Median**




### Qualitative Overlay: 0

**Adjustments relative to SRM data and output**

**Structural features:** 0

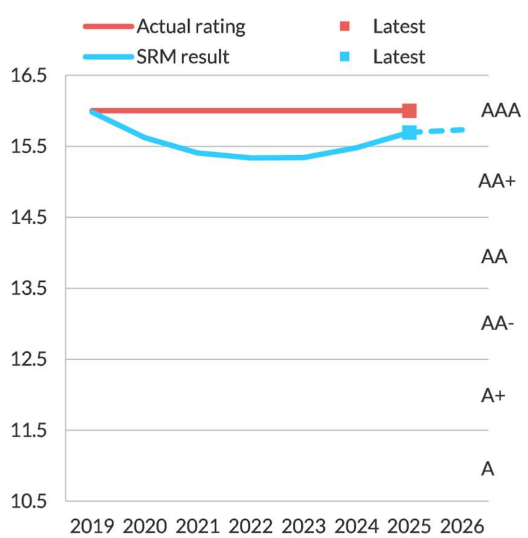
**and prospects:** 0

**Public finances:** 0

**External finances:** 0

Note: See *Peer Analysis* table for summary data, including rating category medians; see the *Full Rating Derivation* table for detailed SRM data.
Source: Fitch Ratings

### Sovereign Rating Model Trend




### Recent Rating Derivation History

| Review | LT FC | SRM | QO | | | |
|---|---|---|---|---|---|---|
| Date | IDR | Result[ab] | S | M | PF | EF |
| Latest | AAA | AAA | 0 | 0 | 0 | 0 |
| 28 Feb 2025 | AAA | AAA | 0 | 0 | 0 | 0 |
| 13 Sep 2024 | AAA | AAA | 0 | 0 | 0 | 0 |
| 15 Mar 2024 | AAA | AA+ | 0 | +1 | 0 | 0 |
| 15 Sep 2023 | AAA | AA+ | 0 | +1 | 0 | 0 |
| 31 Mar 2023 | AAA | AA+ | 0 | +1 | 0 | 0 |
| 21 Oct 2022 | AAA | AA+ | 0 | +1 | 0 | 0 |
| 29 Apr 2022 | AAA | AA+ | 0 | +1 | 0 | 0 |
| 29 Oct 2021 | AAA | AA+ | 0 | +1 | 0 | 0 |
| 30 Apr 2021 | AAA | AA+ | 0 | +1 | 0 | 0 |

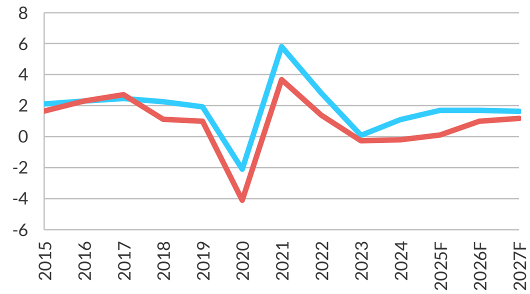
[a] The latest rating uses the SRM result for 2025 from the chart. This will roll forward to 2026 in July 2026).
[b] Historical SRM results in this table may differ from the chart, which is based on our latest data, due to data revisions.
Abbreviations: LT FC IDR = Long-Term Foreign-Currency Issuer Default Rating; SRM = Sovereign Rating Model; QO = Qualitative Overlay
Source: Fitch Ratings

## Peer Analysis

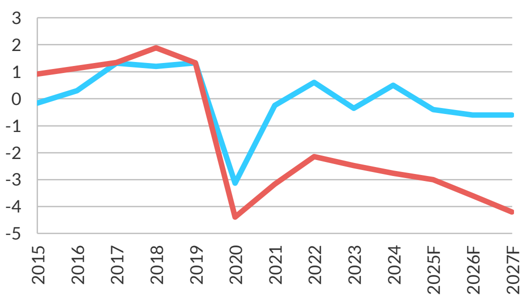
Germany AAA Median

### Consumer Price Inflation
(annual avg, %)

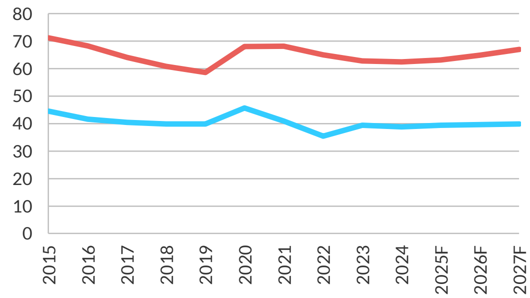

### Real GDP Growth
(%)



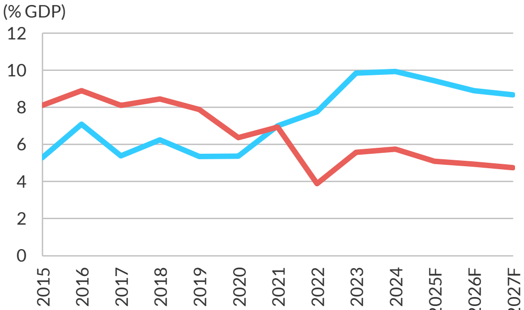

### General Government Balance
(% GDP)



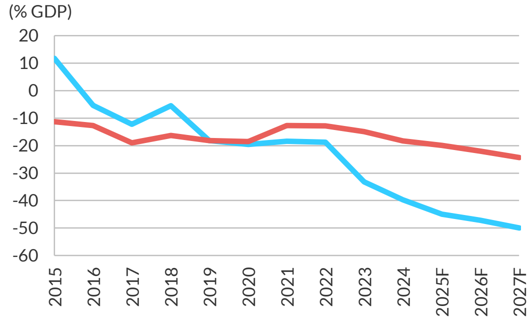

### Gross General Government Debt
(% GDP)



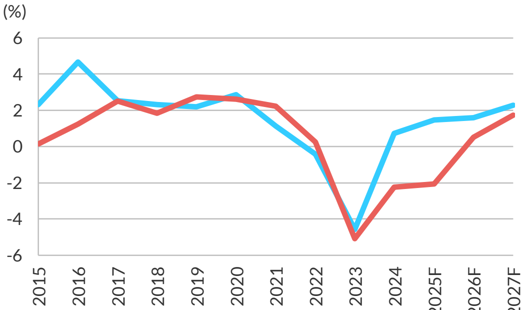

### Current Account Balance
(% GDP)



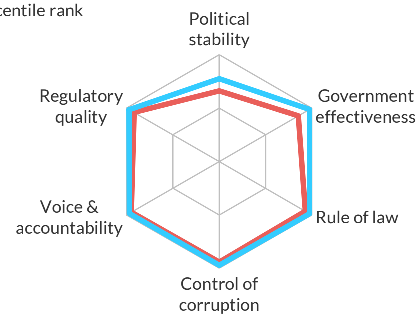

### Net External Debt
(% GDP)




### Real Private-Sector Credit Growth
(%)




### Governance Indicators
Percentile rank




Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank

## Peer Analysis

| 2025F[a] | Germany | AAA median | AA median | A median |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| **Structural features** | | | | |
| GDP per capita (USD) [SRM] | 58,411 | 76,905 | 55,943 | 34,562 |
| Share in world GDP (%) [SRM] | 4.4 | 0.9 | 0.4 | 0.3 |
| Composite governance indicator (percentile, latest) [SRM][b] | 87.6 | 93.8 | 84.2 | 74.5 |
| Human development index (percentile, latest) | 97.3 | 94.7 | 89.8 | 82.2 |
| Broad money (% GDP) [SRM] | 92.6 | 94.7 | 100.7 | 90.4 |
| Private credit (% GDP, 3-year average) | 74.2 | 123.1 | 106.9 | 73.1 |
| Dollarisation ratio (% bank deposits, latest) | 0.0 | 14.6 | 12.5 | 10.3 |
| Bank system capital ratio (% assets, latest) | 16.7 | 15.1 | 16.9 | 16.7 |
| **Macroeconomic performance and policies** | | | | |
| Real GDP growth (%, 3-year average) [SRM] | 0.3 | 2.1 | 2.2 | 3.8 |
| Real GDP growth volatility (complex standard deviation) [SRM] | 2.0 | 2.0 | 2.5 | 3.0 |
| Consumer price inflation (%, 3-year average) [SRM] | 2.2 | 1.9 | 2.3 | 2.4 |
| Unemployment rate (%) | 3.7 | 5.3 | 5.0 | 6.3 |
| **Public finances (general government)[c]** | | | | |
| Balance (% GDP, 3-year average) [SRM] | -3.1 | -0.3 | -1.2 | -2.5 |
| Primary balance (% GDP, 3-year average) | -2.0 | 1.1 | 0.2 | -0.7 |
| Interest payments (% revenue, 3-year average) [SRM] | 2.4 | 3.5 | 3.3 | 4.3 |
| Gross debt (% revenue, 3-year average) | 135.2 | 111.7 | 148.3 | 136.4 |
| Gross debt (% GDP, 3-year average) [SRM] | 63.5 | 44.4 | 43.6 | 42.5 |
| Net debt (% GDP, 3-year average) | 55.7 | 37.5 | 36.0 | 38.1 |
| FC debt (% gross debt, 3-year average) [SRM] | 0.9 | 0.0 | 0.5 | 7.9 |
| **External finances[c]** | | | | |
| Current account balance (% GDP, 3-year average) | 5.2 | 5.5 | 1.5 | 1.3 |
| Current account balance + net FDI (% GDP, 3-year avg.) [SRM] | 4.7 | 1.9 | 0.8 | 2.6 |
| Commodity dependence (% CXR) [SRM] | 9.7 | 14.4 | 15.6 | 11.8 |
| Gross external debt (% GDP, 3-year average) | 174.4 | 179.9 | 120.1 | 69.0 |
| Net external debt (% GDP, 3-year average) | -20.1 | 9.5 | -2.5 | -7.7 |
| Gross sovereign external debt (% GXD, 3-year average) | 23.9 | 11.6 | 17.6 | 21.8 |
| Sovereign net foreign assets (% GDP, 3-year average) [SRM] | -5.4 | -3.4 | 8.6 | 11.3 |
| External interest service (% CXR, 3-year average) [SRM] | 7.9 | 7.4 | 4.2 | 2.3 |
| Foreign-exchange reserves (months of CXP) [SRM] | 2.0 | 1.5 | 2.7 | 4.4 |
| Liquidity ratio | 39.7 | 52.0 | 55.5 | 94.3 |

[a] 3-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.
[b] Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).
[c] See Appendix 2: Data Notes and Conventions for details of data treatment for public finances and external finances.
Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank, United Nations

**Supplementary Information**

BSI / MPI = a / 2. About the BSI and MPI: Fitch's bank systemic indicator (BSI) equates to a weighted average Viability Rating. The macro-prudential risk indicator (MPI) focuses on one potential source of financial stress, ranging from '3' (high potential vulnerability to financial stress over the medium term based on trends in credit expansion, equity and property prices and real exchange rates) to '1' (low likelihood). For more information, refer to Fitch's most recent Macro-Prudential Risk Monitor report.

Year cured from the most recent default or restructuring event, since 1980 = No event.

The de facto exchange-rate regime, based on the latest IMF Annual Report on Exchange Arrangements and Exchange Restrictions report, is 'Free floating (EMU)'.

## Rating Factors

### Strengths

- A high value-added, diversified, open and wealthy economy.
- High governance standards, as measured by the World Bank Governance Indicators (WBGIs), although slightly lagging behind the ‘AAA’ median.
- Strong commitment to fiscal prudence, reflected in strict domestic fiscal rules.
- Status of primary benchmark issuer for the eurozone, which affords Germany with ample financing flexibility.
- Long average maturity of debt, at about 7.5 years, which limits the effects of rising funding cost on the government’s balance sheet.
- Strong external position, as reflected in a record high current account surplus that resulted in a large positive net international investment position.

### Weaknesses

- Rapidly ageing population. Burden of ageing is high in Germany in comparison to other eurozone countries, and its effects will materialise sooner than elsewhere.
- High bureaucracy and regulatory cost, which impede investment in key sectors, including renewable energy.
- High dependence on Russian gas at the time of the outbreak of the war in Ukraine, which exposed Germany to the risk of higher energy costs as the country accelerates its transition to renewable energy.
- Acute labour shortages (currently the highest in eurozone), which are likely to put additional upward pressure on wages.

| Rating | Sovereign |
|---|---|
| AAA | **Germany** |
| | Australia |
| | Denmark |
| | Luxembourg |
| | Netherlands |
| | Norway |
| | Singapore |
| | Sweden |
| | Switzerland |
| | |
| AA+ | Canada |
| | Finland |
| | New Zealand |
| | United States of America |

Source: Fitch Ratings

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- **Public Finances:** A faster and more persistent increase in general government debt over the medium term, for example, due to a prolonged period of wider budget deficits and/or weak growth.
- **Structural:** Prolonged weak economic growth, for example, due to structural economic challenges and lack of progress on structural reforms.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The ratings are at the highest level on Fitch’s scale and cannot be upgraded.

## Forecast Summary

| | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|
| **Macroeconomic indicators and policy** | | | | | | |
| Real GDP growth (%) | 1.4 | -0.3 | -0.2 | 0.1 | 1.0 | 1.2 |
| Unemployment (%) | 3.1 | 3.0 | 3.4 | 3.7 | 3.6 | 3.5 |
| Consumer price inflation (annual average % change) | 8.7 | 6.0 | 2.5 | 2.3 | 2.0 | 1.9 |
| Policy interest rate (annual average, %) | 0.2 | 3.4 | 3.7 | 2.1 | 1.8 | 1.8 |
| General government balance (% GDP) | -2.1 | -2.5 | -2.8 | -3.0 | -3.6 | -4.2 |
| Gross general government debt (% GDP) | 65.0 | 62.9 | 62.5 | 63.2 | 64.9 | 67.1 |
| EUR per USD (annual average) | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Real private credit growth (%) | 0.2 | -5.1 | -2.2 | -2.1 | 0.5 | 1.7 |
| **External finance** | | | | | | |
| Merchandise trade balance (USDbn) | 140.9 | 245.6 | 255.0 | 235.7 | 236.4 | 236.9 |
| Current account balance (% GDP) | 3.9 | 5.6 | 5.7 | 5.1 | 4.9 | 4.7 |
| Gross external debt (% GDP) | 195.6 | 186.6 | 181.2 | 173.6 | 168.3 | 164.4 |
| Net external debt (% GDP) | -12.8 | -14.9 | -18.3 | -20.0 | -22.0 | -24.4 |
| External debt service (principal + interest, USDbn) | 866.7 | 888.6 | 989.3 | 997.8 | 1,043.6 | 1,068.9 |
| Official international reserves including gold (USDbn) | 293.9 | 322.7 | 319.0 | 386.8 | 372.7 | 164.9 |
| Gross external financing requirement (% int. reserves) | 210.0 | 155.8 | 163.0 | 170.3 | 148.6 | 158.5 |
| **Real GDP growth (%)** | | | | | | |
| US | 2.5 | 2.9 | 2.8 | 1.5 | 1.5 | 2.1 |
| China | 3.1 | 5.4 | 5.0 | 4.2 | 3.9 | 4.3 |
| Eurozone | 3.5 | 0.4 | 0.9 | 0.8 | 1.0 | 1.2 |
| World | 3.0 | 3.2 | 2.9 | 2.2 | 2.2 | 2.6 |
| **Oil (USD/barrel)** | 98.6 | 82.1 | 79.5 | 70.0 | 65.0 | 65.0 |

Source: Fitch Ratings

## Sources and Uses

### Public Finances (General Government)

| (EURbn) | 2025 | 2026 |
|---|---|---|
| **Uses** | **537.3** | **592.7** |
| Budget deficit | 134.0 | 165.8 |
| MLT amortisation | 403.3 | 427.0 |
| Domestic | 388.2 | 411.0 |
| External | 15.1 | 16.0 |
| **Sources** | **537.3** | **592.7** |
| Gross borrowing | 621.7 | 592.7 |
| Domestic | 390.2 | 502.2 |
| External | 231.5 | 90.6 |
| Privatisation | 0.0 | 0.0 |
| Other | -84.4 | 0.0 |
| Change in deposits (- = increase) | 0.0 | 0.0 |

Source: Fitch Ratings

### External Finances

| (USDbn) | 2025 | 2026 |
|---|---|---|
| **Uses** | **543.3** | **574.6** |
| Current account deficit | -251.9 | -253.8 |
| MLT amortisation | 795.2 | 828.4 |
| Sovereign | 16.7 | 17.7 |
| Non-sovereign | 778.5 | 810.7 |
| **Sources** | **543.3** | **574.6** |
| Gross MLT borrowing | 923.2 | 880.1 |
| Sovereign | 41.7 | -34.7 |
| Non-sovereign | 881.6 | 914.8 |
| FDI | -24.3 | -21.7 |
| Other | -287.8 | -297.8 |
| Change in FX reserves (- = increase) | -67.8 | 14.1 |

Source: Fitch Ratings

## Credit Developments

### Growth to Recover; Challenges Persist

We have raised our 2025 growth forecast for Germany to 0.1% from a mild recession previously, reflecting stronger global growth, improving domestic demand, and robust first-quarter performance (0.3% qoq). Net exports provided a significant boost to GDP in January-March, but this effect is expected to reverse later in 2025, potentially resulting in a temporary economic contraction. Investment, particularly in housing construction, outperformed expectations as monetary policy easing improved borrowing conditions.

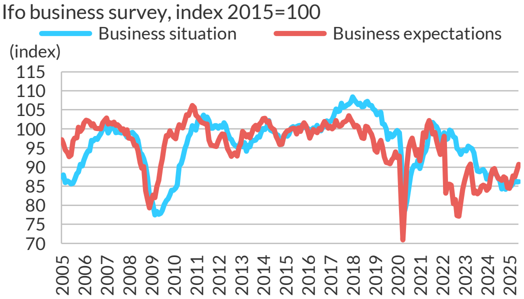
Fitch expects growth to pick up in 2026 and 2027, driven by increased government infrastructure and defence spending, which it estimates will add 0.8pp to GDP by end-2027. This assumes robust multiplier effects from infrastructure spending – particularly as productive capacity remains underutilised – and more conservative assumptions on defence. There is a risk that some of this new investment is simply a repurposing of previous plans; however, the scale of announced spending and the political commitment to the programme suggest a degree of additionality.

While additional government spending will support growth, it is unlikely to substantially improve Germany's longer-term growth prospects in isolation. For growth to be transformative, private-sector investment – which accounts for the majority of total investment (85%) – will also need to improve. Business investment intentions remain weak and business confidence is still below its long-term average. The government's recently announced "booster" package, including accelerated depreciation, a cut in energy taxes for businesses, a progressive reduction in the corporate tax rate, and a fund to support start-ups, could provide some upside momentum.

Overall, Germany faces significant structural challenges, including rising competition from China, tariff risks related to its export-oriented economy, and competitiveness issues in the manufacturing sector caused by higher energy and labour costs, bureaucratic hurdles, and high corporate taxes. Addressing these challenges will require additional structural reforms and potentially a reorientation towards sectors where Germany can be more competitive.

**Germany - Business Survey**

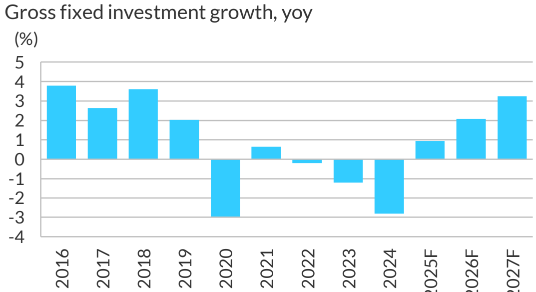
Ifo business survey, index 2015=100




Source: Fitch Ratings, Ifo

**Germany - Investment Growth**

Gross fixed investment growth, yoy




Source: Fitch Ratings, Federal Statistics Office, Haver

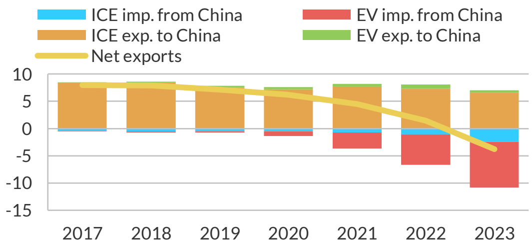
### Labour Market; Inflation

Unemployment has been stable in recent months, with job creation continuing at a subdued pace. Nevertheless, given labour market tightness, we continue to expect only a mild rise in unemployment in 2025, followed by a recovery in 2026-2027. The decline in inflation over the past year and some softening in the labour market have eased pressure on nominal wage growth, which we expect to remain moderate at around 2.5% in 2025-2027.

Inflation has hovered near the ECB's 2% target for several months (standing at 2% in June), supported by a decline in services price inflation. We expect energy prices to decrease in 2026, which should further lower inflation. The recent strengthening of the euro – and, more broadly, the risk of an escalating trade war – could add to disinflationary pressures. It is unlikely that the recently announced fiscal package will provide much boost to consumer price inflation.

### Competition with China in Germany's Key Export Products Has Intensified

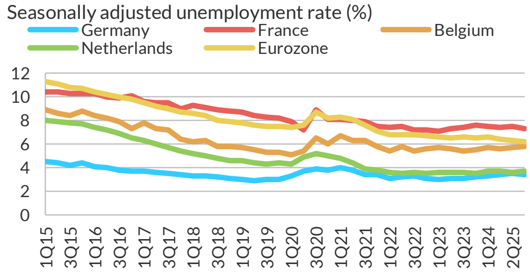
Trade EU-China (billion kg)




Source: Fitch Ratings, Eurostat

### Labour Market Is Very Tight

Seasonally adjusted unemployment rate (%)




Source: Eurostat

## Major Change in Fiscal Stance; Medium-Term Path Remains Unclear

There has been a significant shift in fiscal policy priorities following the results of the February parliamentary election and the subsequent formation of a CDU-SPD coalition. While some change to Germany's fiscal rules to prioritise investment spending was anticipated, the scale and pace of this shift were surprising, underscoring the coalition's strong commitment to addressing rising geopolitical challenges and refocusing policies on growth. These plans have been gradually formalised over recent months, including with the announcement of the 2025 federal budget and some medium-term fiscal projections in late June.

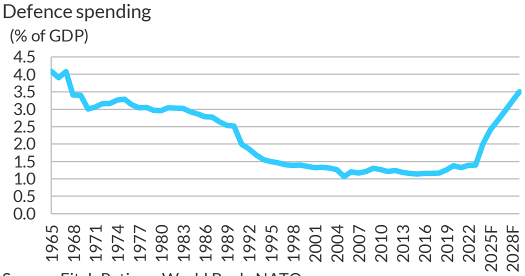
The EUR500 billion infrastructure fund planned for 2025-2037, along with the commitment to increase defence spending first to 3.5% of GDP by 2029 (a level not seen since the 1960s) and then to the newly agreed 5% NATO target by 2035, represents a significant departure from previous commitments to low deficits and the reduction of debt to below 60% of GDP, at least in the short to medium term. These changes could present challenges in meeting the new EU fiscal framework, although a compromise is likely. On the upside, incorporating this additional spending within the constitutional framework marks a shift away from the previous practice of creating off-budget funds, which were ultimately challenged in the courts and forced previous governments to backtrack on some pledges.

Germany has demonstrated a long-standing commitment to fiscal prudence, which remains an important anchor for its 'AAA' rating. Although debt levels are well above the 'AAA' median, they are still significantly below the 80% peak in 2010 and the level at which other large economies were placed on Negative Outlook or downgraded from the 'AAA' category in the past. We expect a broad commitment to public finance sustainability to remain a feature of German politics and the country will continue to benefit from its status as the benchmark issuer in the eurozone, providing it with substantial financing flexibility and exceptionally low government financing costs.

Nevertheless, the increased focus on defence and infrastructure spending could increase pressure on the rating over the longer term, particularly if this higher spending is not eventually offset by consolidation measures or a sustained improvement in growth prospects.

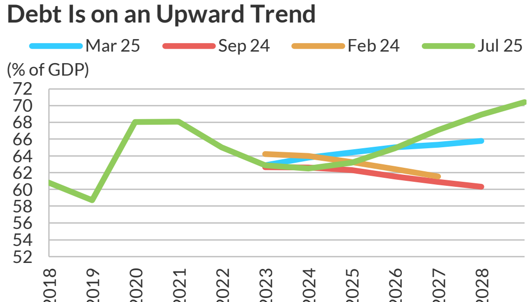
### Military Spending to Increase

Defence spending




Source: Fitch Ratings, World Bank, NATO

### Debt Is on an Upward Trend




Source: Fitch Ratings, Eurostat

## Fiscal Developments in 2025

Despite persistent economic weakness, cash data for 5M25 show fairly robust revenue performance across many categories, with total revenue up 7.4% yoy. This has been partly due to an increase in realised capital gains and higher revenue from energy taxes, as well as one-off factors such as this year's increase in inheritance tax and the rise in social contribution rates that took effect in early 2025. These developments will largely offset weakness in corporate income tax.

We project expenditure this year to rise at an accelerated pace – in January-May, spending in cash terms was up 8.3% – reflecting the government's fiscal priorities. The federal budget foresees EUR95 billion (2.1% of GDP) in defence spending this year, mostly from already budgeted amounts, including EUR25 billion from the special fund for the military (which is scheduled to wind down in 2027). This is likely to be implemented and would help Germany reach its projected NATO spending target of 2.4% of GDP this year from 2% in 2024[1].

The government also plans to reach EUR115 billion (2.7% of GDP) in public infrastructure spending this year, 55% higher than in 2024. This includes EUR27.2 billion in additional funding from the newly created EUR500 billion infrastructure fund, with the remainder coming from the regular budget and the Climate and Transformation Fund.[2] Priorities include rail infrastructure, digitalisation and education. In previous years, authorities have often under-spent on infrastructure, particularly at the local government level, due to bureaucratic hurdles and other challenges. We expect these issues to persist with infrastructure spending remaining below target, at least in the short term.

Finally, under the coalition agreement, the government pledged to provide some fiscal support for businesses and families. This includes a booster package designed to provide tax incentives for private investment (through improved depreciation conditions and, from 2028, a reduction in the corporate tax rate), as well as other measures to provide energy cost relief for firms and families and increased social benefits. These measures, which are likely to be approved within a few weeks, could cost around EUR54 billion (1.2% of GDP) over the coming years.

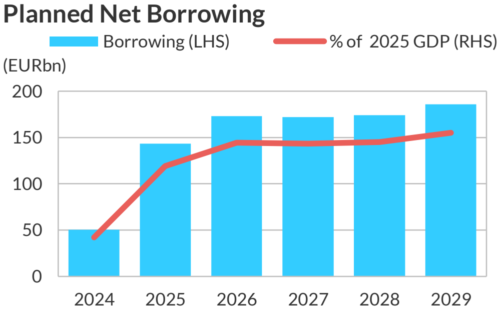
## Deficit and Debt Outlook

We forecast the budget deficit to rise only modestly in 2025, to 3% of GDP, supported by one-off revenue effects and still relatively contained expenditure growth. The increase in the deficit is expected to be steeper from 2026, as the government plans to accelerate infrastructure and defence spending. In the preliminary medium-term objectives presented alongside the 2025 budget, the government is planning EUR120 billion in infrastructure spending a year in 2026-2029. Defence spending is set to increase to EUR160 billion by 2029.

Estimating the impact of these trends on the ESA deficit (the standard Eurostat definition, which we use for comparisons) is challenging, as the government will only present its estimates in the autumn. The announced budget and targets also only include the federal government and not the wider general government. Our preliminary estimate is that this will add around 1pp, on average, to the general government deficit in both 2026 and 2027. The government plans to introduce some consolidation measures over the medium term, but these have yet to be clearly outlined.

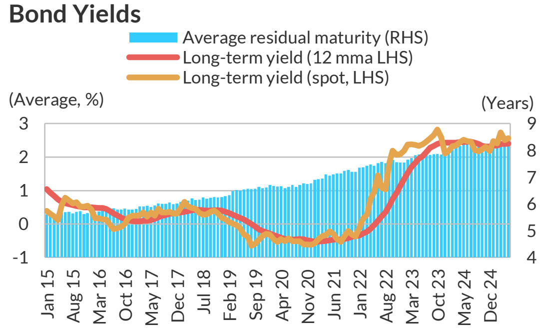
The increase in the primary deficit, combined with modest growth outlook (we estimate growth at only 1% in 2026–2029), means that public debt will rise to 70.4% in 2029. In terms of financing, the spending plans envisage net new debt (outside the core budget) rising from only EUR33 billion in 2024 to EUR82 billion in 2025 and further to EUR186 billion in 2029. Germany benefits from very strong demand for its debt and could benefit from disinvestment from other major markets, particularly the US. The announcement of investment plans increased financing costs at the start of the year, but these have eased in recent months (the 10-year yield peaked at 2.8% in early March but has since returned to 2.6%), although they will remain significantly higher than pre-pandemic levels.

### Planned Net Borrowing




Source: Fitch Ratings, Ministry of Finance

### Bond Yields




Source: Fitch Ratings, Eurostat

[1] There can be important differences between how the national budget and the ESA budget account for defence spending compared to the NATO target. In addition, it is unclear at this stage what portion of the 1.5% non-core NATO defence target – which can include certain types of infrastructure spending – is budgeted for, and how this may contribute to meeting the 2.4% target.
[2] There is also now a requirement to allocate at least 10% of the core budget to investment spending. This share averaged well below 5% in the previous two decades.

## Stable Banking System

Geopolitical developments, notably trade tensions, are increasingly becoming a key risk for banks, although the sector expects only limited impact, with asset quality and profitability remaining solid. Cybercrime has become a significant operational risk, resulting in rising costs. Lower interest rates are slowing growth in interest income, while early signs of increased provisioning have emerged. In real estate, particularly commercial real estate, tail risks persist but have not worsened despite geopolitical uncertainty, although low transaction volumes make impact assessment difficult. Vulnerabilities in the residential market have eased. Overall, the banking system remains stable, with only modest credit risk deterioration and sufficient capacity to absorb rising sovereign financing needs if required.

## Public Debt Dynamics

Germany's gross general government debt/GDP ratio peaked at 69.2% of GDP in 2021 and fell to 62.5% in 2024. We expect the ratio to gradually increase given larger primary deficits and higher average nominal interest rate costs. The main risk to debt sustainability would be persistent weak growth, which combined with larger fiscal deficits, would lead to steeper increase in debt levels.

### Debt Dynamics – Fitch's Baseline Assumptions

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|
| Gross general government debt (% of GDP) | 62.9 | 62.5 | 63.2 | 64.9 | 67.1 | 68.9 | 70.4 |
| Primary balance (% of GDP) | -1.6 | -1.7 | -1.9 | -2.3 | -2.8 | -2.3 | -2.0 |
| Real GDP growth (%) | -0.3 | -0.2 | 0.1 | 1.0 | 1.2 | 1.0 | 1.0 |
| Average nominal effective interest rate (%) | 1.4 | 1.7 | 1.9 | 2.0 | 2.2 | 2.3 | 2.3 |
| EUR/USD (annual average) | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| GDP deflator (%) | 6.1 | 3.1 | 3.7 | 2.1 | 2.0 | 2.0 | 2.0 |
| Stock-flow adjustments (% of GDP) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Fitch Ratings

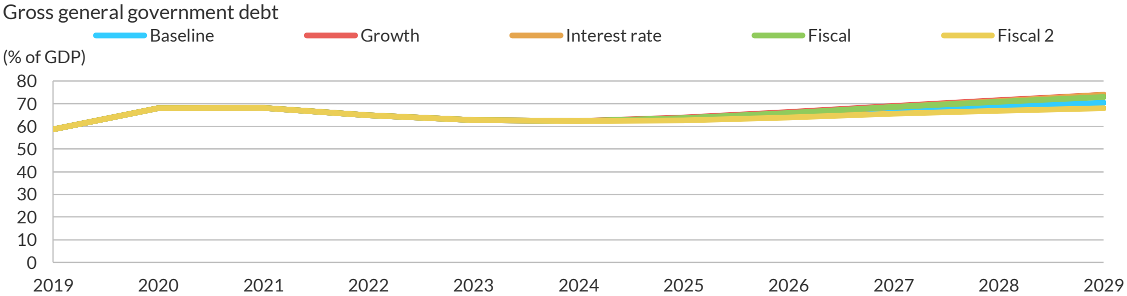
### Debt Sensitivity Analysis: Fitch's Scenario Assumptions

| | |
|---|---|
| Growth | GDP growth 1.6% lower (half standard deviation lower) |
| Interest rate | Marginal interest rate 250bp higher |
| Fiscal | Primary deficit 0.5pp wider in forecast period |
| Fiscal 2 | Primary deficit 0.5pp better than in forecast period |

Source: Fitch Ratings

### Sensitivity Analysis

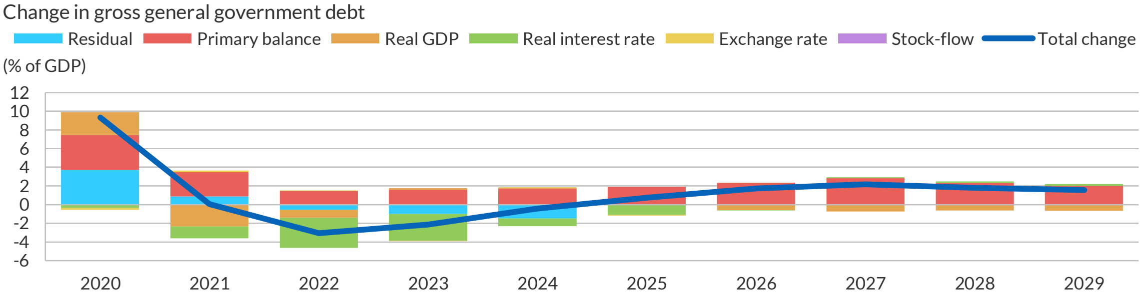
Gross general government debt




Source: Fitch Ratings, Fitch Debt Dynamics Model

### Baseline Scenario: Debt Creating Flows

Change in gross general government debt




Source: Fitch Ratings, Fitch Debt Dynamics Model

### *About the Public Debt Dynamics*

Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

## Data Tables

### General Government Summary

| (% GDP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 46.9 | 46.7 | 47.5 | 46.9 | 45.9 | 46.8 | 47.2 | 47.0 | 46.8 |
| Expenditure | 45.6 | 51.1 | 50.7 | 49.0 | 48.4 | 49.7 | 50.2 | 50.6 | 51.0 |
| o/w interest payments | 0.8 | 0.6 | 0.6 | 0.7 | 0.9 | 1.1 | 1.1 | 1.3 | 1.4 |
| Interest payments (% revenue) | 1.7 | 1.4 | 1.2 | 1.5 | 1.9 | 2.3 | 2.3 | 2.7 | 3.0 |
| | | | | | | | | | |
| Primary balance | 2.1 | -3.7 | -2.6 | -1.4 | -1.6 | -1.7 | -1.9 | -2.3 | -2.8 |
| Overall balance | 1.3 | -4.4 | -3.2 | -2.1 | -2.5 | -2.8 | -3.0 | -3.6 | -4.2 |
| | | | | | | | | | |
| Gross government debt | 58.7 | 68.1 | 68.1 | 65.0 | 62.9 | 62.5 | 63.2 | 64.9 | 67.1 |
| % of government revenue | 125.2 | 145.6 | 143.2 | 138.8 | 137.0 | 133.6 | 133.9 | 138.1 | 143.4 |
| Issued in domestic market | 45.1 | 37.1 | 39.9 | 38.7 | 34.6 | 36.0 | 34.8 | 35.7 | 36.9 |
| Issued in foreign markets | 13.6 | 30.9 | 28.2 | 26.3 | 28.3 | 26.4 | 28.4 | 29.2 | 30.2 |
| Local currency | 56.3 | 65.6 | 66.3 | 64.0 | 62.3 | 61.9 | 62.6 | 64.4 | 66.6 |
| Foreign currency | 2.5 | 2.5 | 1.8 | 1.0 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 |
| | | | | | | | | | |
| Central government deposits | 10.6 | 13.2 | 12.8 | 10.6 | 9.3 | 8.1 | 7.8 | 7.6 | 7.3 |
| Net government debt | 48.1 | 54.8 | 55.3 | 54.5 | 53.6 | 54.4 | 55.4 | 57.4 | 59.8 |
| | | | | | | | | | |
| Financing | | 4.4 | 3.2 | 2.1 | 2.5 | 2.8 | 3.0 | 3.6 | 4.2 |
| Domestic borrowing | | -9.1 | 5.0 | 1.6 | -2.0 | 2.4 | 0.0 | 2.0 | 2.3 |
| External borrowing | | 19.6 | -3.1 | -1.6 | 4.4 | -2.7 | 4.8 | 1.6 | 1.9 |
| Other financing | | -6.1 | 1.2 | 2.1 | 0.1 | 3.1 | -1.9 | 0.0 | 0.0 |
| Change in deposits (- = increase) | | -2.4 | -0.4 | 1.3 | 0.7 | 1.0 | 0.0 | 0.0 | 0.0 |
| Privatisation | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | | -3.7 | 1.6 | 0.8 | -0.6 | 2.1 | -1.9 | 0.0 | 0.0 |

Source: Fitch Ratings, Ministry of Finance

## Balance of Payments

| (USDbn) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|---|
| Current account | 311.7 | 250.2 | 301.4 | 161.7 | 251.5 | 267.1 | 251.9 | 253.8 | 252.3 |
| % GDP | 7.9 | 6.4 | 6.9 | 3.9 | 5.6 | 5.7 | 5.1 | 4.9 | 4.7 |
| Goods | 238.8 | 203.8 | 222.5 | 140.9 | 245.6 | 255.0 | 235.7 | 236.4 | 236.9 |
| Services | -16.1 | 7.6 | 4.9 | -32.6 | -68.7 | -80.2 | -77.5 | -77.7 | -81.1 |
| Primary income | 145.5 | 100.0 | 144.7 | 125.2 | 147.7 | 161.3 | 162.7 | 164.1 | 165.5 |
| Secondary income | -56.5 | -61.2 | -70.7 | -71.8 | -73.1 | -69.0 | -69.0 | -69.0 | -69.0 |
| | | | | | | | | | |
| Capital account | -5.5 | -12.1 | -4.3 | -21.7 | -28.9 | -22.0 | -22.0 | -22.0 | -22.0 |
| | | | | | | | | | |
| Financial account | 225.4 | 197.3 | 205.8 | 158.0 | 209.9 | 261.0 | 162.1 | 245.8 | 215.9 |
| Direct investment | 95.9 | -31.9 | 87.1 | 63.7 | 25.9 | 32.6 | 24.3 | 21.7 | 21.0 |
| Portfolio investment | 82.0 | 28.1 | 234.7 | 14.8 | 1.8 | 34.3 | 83.8 | 90.8 | 97.8 |
| Derivatives | 23.2 | 104.9 | 58.3 | 47.5 | 38.7 | 45.7 | 12.0 | 15.0 | 18.0 |
| Other investments | 24.3 | 96.2 | -174.3 | 32.0 | 143.5 | 148.4 | 41.9 | 118.3 | 79.1 |
| | | | | | | | | | |
| Net errors and omissions | -81.4 | -40.9 | -53.8 | 22.7 | -11.8 | 14.3 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | |
| Change in reserves (+ = increase) | -0.6 | -0.1 | 37.5 | 4.7 | 0.9 | -1.6 | 67.8 | -14.1 | 14.3 |
| International reserves, incl. gold | 224.0 | 268.4 | 295.7 | 293.9 | 322.7 | 319.0 | 386.8 | 372.7 | 164.9 |
| Liquidity ratio (%) | 42.2 | 42.5 | 34.8 | 37.4 | 36.5 | 36.8 | 39.7 | 38.8 | 39.4 |
| | | | | | | | | | |
| Memo | | | | | | | | | |
| Current external receipts (CXR) | 2,051.1 | 1,855.3 | 2,266.1 | 2,346.8 | 2,521.2 | 2,550.6 | 2,598.1 | 2,660.3 | 2,722.9 |
| Current external payments (CXP) | 1,739.4 | 1,605.1 | 1,964.7 | 2,185.1 | 2,269.7 | 2,283.5 | 2,346.2 | 2,406.5 | 2,470.6 |
| CXR growth (%) | -3.1 | -9.5 | 22.1 | 3.6 | 7.4 | 1.2 | 1.9 | 2.4 | 2.4 |
| CXP growth (%) | -1.9 | -7.7 | 22.4 | 11.2 | 3.9 | 0.6 | 2.7 | 2.6 | 2.7 |
| Gross external financing requirement | 373.7 | 463.7 | 528.4 | 621.1 | 457.8 | 526.1 | 543.3 | 574.6 | 590.9 |
| % International reserves | 188.7 | 207.0 | 196.9 | 210.0 | 155.8 | 163.0 | 170.3 | 148.6 | 158.5 |
| Net external borrowing | 45.7 | 471.4 | 591.5 | 82.5 | 35.1 | 168.1 | 166.1 | 74.0 | 64.9 |

Source: Fitch Ratings, IMF

## External Debt and Assets

| (USDbn) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|---|
| Gross external debt | 6,492.6 | 7,923.5 | 7,846.2 | 8,134.0 | 8,444.9 | 8,441.2 | 8,607.3 | 8,681.2 | 8,746.1 |
| % GDP | 164.1 | 201.5 | 180.4 | 195.6 | 186.6 | 181.2 | 173.6 | 168.3 | 164.4 |
| % CXR | 316.5 | 427.1 | 346.2 | 346.6 | 335.0 | 330.9 | 331.3 | 326.3 | 321.2 |
| | | | | | | | | | |
| Short-term debt (% GXD) | 45.0 | 47.6 | 50.1 | 56.4 | 53.0 | 52.9 | 51.9 | 51.4 | 51.1 |
| | | | | | | | | | |
| By debtor | | | | | | | | | |
| Sovereign | 2,070.9 | 2,531.9 | 2,495.9 | 2,046.7 | 2,148.5 | 2,054.5 | 2,079.4 | 2,027.0 | 1,969.8 |
| Monetary authorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General government | 2,070.9 | 2,531.9 | 2,495.9 | 2,046.7 | 2,148.5 | 2,054.5 | 2,079.4 | 2,027.0 | 1,969.8 |
| Banks | 2,392.2 | 2,874.8 | 2,651.9 | 3,353.9 | 3,273.8 | 3,505.0 | 3,547.1 | 3,589.2 | 3,631.3 |
| Other sectors | 2,029.5 | 2,516.8 | 2,698.4 | 2,733.3 | 3,022.5 | 2,881.7 | 2,980.7 | 3,065.0 | 3,145.0 |
| | | | | | | | | | |
| Gross external assets (non-equity) | 7,212.8 | 8,654.9 | 8,397.3 | 8,667.8 | 9,119.1 | 9,291.7 | 9,596.8 | 9,816.8 | 10,043.1 |
| Sovereign | 1,608.1 | 2,078.0 | 2,082.0 | 1,939.0 | 1,853.3 | 1,688.9 | 1,809.8 | 1,784.7 | 1,588.0 |
| International reserves, incl. gold | 224.0 | 268.4 | 295.7 | 293.9 | 322.7 | 319.0 | 386.8 | 372.7 | 164.9 |
| Other sovereign assets | 1,384.1 | 1,809.6 | 1,786.2 | 1,645.0 | 1,530.6 | 1,369.8 | 1,423.0 | 1,411.9 | 1,423.2 |
| Banks | 2,694.4 | 3,083.7 | 2,736.9 | 3,415.0 | 3,452.7 | 3,814.5 | 3,942.5 | 4,071.5 | 4,193.5 |
| Other sectors | 2,910.5 | 3,492.8 | 3,578.2 | 3,313.0 | 3,813.0 | 3,729.5 | 3,838.9 | 3,943.9 | 4,033.9 |
| | | | | | | | | | |
| Net external debt | -720.2 | -731.3 | -551.1 | -533.8 | -674.3 | -850.5 | -989.6 | -1,135.5 | -1,297.0 |
| % GDP | -18.2 | -18.6 | -12.7 | -12.8 | -14.9 | -18.3 | -20.0 | -22.0 | -24.4 |
| Sovereign | 462.9 | 453.5 | 413.6 | 107.0 | 295.0 | 306.7 | 263.9 | 225.6 | 154.0 |
| Banks | -302.1 | -208.9 | -85.0 | -61.1 | -178.8 | -309.5 | -395.4 | -482.3 | -562.2 |
| Other sectors | -881.0 | -975.9 | -879.7 | -579.7 | -790.5 | -847.8 | -858.1 | -878.8 | -888.8 |
| | | | | | | | | | |
| International investment position | | | | | | | | | |
| Assets | 10,864.2 | 12,955.7 | 13,151.3 | 13,037.9 | 13,948.4 | 14,403.8 | - | - | - |
| Liabilities | 8,539.8 | 10,239.7 | 10,223.5 | 10,085.0 | 10,704.0 | 10,767.4 | - | - | - |
| Net | 2,324.3 | 2,716.0 | 2,927.8 | 2,952.9 | 3,244.4 | 3,636.5 | - | - | - |
| Net sovereign | -462.9 | -453.5 | -413.6 | -107.0 | -295.0 | -306.7 | -263.9 | -225.5 | -154.0 |
| % GDP | -11.7 | -11.5 | -9.5 | -2.6 | -6.5 | -6.6 | -5.3 | -4.4 | -2.9 |
| | | | | | | | | | |
| External debt service (principal + interest) | 733.8 | 757.1 | 874.2 | 866.7 | 888.6 | 989.3 | 997.8 | 1,043.6 | 1,068.9 |
| Interest (% CXR) | 2.4 | 2.3 | 2.0 | 3.6 | 7.1 | 7.7 | 7.8 | 8.1 | 8.3 |

Source: Fitch Ratings, central bank, IMF, World Bank

## Full Rating Derivation

| Long-Term Foreign-Currency Issuer Default Rating (SRM + QO) | AAA |
|---|---|

| Sovereign Rating Model | | | | | | | Applied Rating[d] | AAA |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Model Result and Predicted Rating | | 15.69 = AAA |
| Input Indicator | Weight (%) | 2024 | 2025 | 2026 | Adjustment to Final Data | Final Data | Coefficient | Output (notches) |
| **Structural features** | | | | | | | | **11.70** |
| Governance indicators (percentile) | 22.0 | n.a. | 87.6 | n.a. | - | 87.6 | 0.079 | 6.91 |
| GDP per capita (USD) | 11.8 | n.a. | 58,411 | n.a. | Percentile | 86.4 | 0.037 | 3.17 |
| Nominal GDP (% world GDP) | 14.3 | n.a. | 4.51 | n.a. | Natural log | 1.5 | 0.640 | 0.96 |
| Most recent default or restructuring | 4.5 | n.a. | None | n.a. | Inverse 0-1[a] | 0.0 | -1.791 | 0 |
| Broad money (% GDP) | 1.1 | n.a. | 92.6 | n.a. | Natural log | 4.5 | 0.145 | 0.66 |
| **Macroeconomic performance, policies and prospects** | | | | | | | | **-0.62** |
| Real GDP growth volatility | 4.5 | n.a. | 2.0 | n.a. | Natural log | 0.7 | -0.710 | -0.48 |
| Consumer price inflation | 3.6 | 2.5 | 2.3 | 2.0 | 3-yr avg.[b] | 2.2 | -0.069 | -0.16 |
| Real GDP growth | 1.8 | -0.2 | 0.1 | 1.0 | 3-yr avg. | 0.3 | 0.057 | 0.02 |
| **Public finances** | | | | | | | | **-1.69** |
| Gross general govt debt (% GDP) | 9.0 | 62.5 | 63.2 | 64.9 | 3-yr avg. | 63.5 | -0.023 | -1.46 |
| General govt interest (% revenue) | 4.6 | 2.3 | 2.3 | 2.7 | 3-yr avg. | 2.4 | -0.044 | -0.11 |
| General govt fiscal balance (% GDP) | 2.1 | -2.8 | -3.0 | -3.6 | 3-yr avg. | -3.1 | 0.039 | -0.12 |
| FC debt (% of total general govt debt) | 3.0 | 0.9 | 0.9 | 0.8 | 3-yr avg. | 0.9 | -0.008 | -0.01 |
| **External finances** | | | | | | | | **1.43** |
| Reserve currency (RC) flexibility | 7.2 | n.a. | 3.1 | n.a. | RC score 0 - 4.5[c] | 3.1 | 0.494 | 1.54 |
| SNFA (% of GDP) | 7.5 | -6.6 | -5.3 | -4.4 | 3-yr avg. | -5.4 | 0.011 | -0.06 |
| Commodity dependence | 1.1 | n.a. | 9.7 | n.a. | Latest | 9.7 | -0.004 | -0.04 |
| FX reserves (months of CXP) | 1.3 | n.a. | 2.0 | n.a. | n.a. if RC score> 0 | 0.0 | 0.024 | 0 |
| External interest service (% CXR) | 0.2 | 7.7 | 7.8 | 8.1 | 3-yr avg. | 7.9 | -0.004 | -0.03 |
| CAB + net FDI (% GDP) | 0.3 | 5.0 | 4.6 | 4.5 | 3-yr avg. | 4.7 | 0.003 | 0.02 |
| **Intercept Term (constant across all sovereigns)** | | | | | | | | **4.87** |

[a] Inverse 0-1 scale, declining weight; [b] of truncated value (2%-50%); [c] Declining weight; [d] Sovereign rating committee can override SRM Predicted Rating if a marginal change in the Model Result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis. Please refer to the Rating Action Commentary for further information when the Applied Rating differs from the Predicted Rating.
Note: This table contains data as at the date of the most recent rating action. There may be minor differences to data presented elsewhere in this report, which may have been updated where appropriate, for example in the event of subsequent data releases.
Source: Fitch Ratings

| Qualitative Overlay (Notch Adjustment, Range +/-3) | 0 |
|---|---|
| Structural features | 0 |
| Macroeconomic outlook, policies and prospects | 0 |
| Public finances | 0 |
| External finances | 0 |

Source: Fitch Ratings

### *About the SRM and QO*

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a Long-Term Foreign-Currency Issuer Default Rating (IDR). Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

## Supplementary Ratings

### Local-Currency Rating

As Germany's Long-Term Foreign-Currency IDR is 'AAA', there is no capacity for upward notching of the Long-Term Local-Currency IDR, which is, therefore, also 'AAA'.

### Country Ceiling

Germany's Country Ceiling is 'AAA', in line with its Long-Term Foreign-Currency IDR at the upper limit of the rating scale. We view the risk of exchange and capital controls as negligible. Fitch's Country Ceiling Model produced a starting point uplift of three notches and Fitch's rating committee did not apply a qualitative adjustment to the model's result.

| | | | |
|---|---|---|---|
| **Overall Country Ceiling Uplift (CCM + QA, notches)** | | | **+3** |
| | | | |
| **Country Ceiling Model (CCM, notches)** | | | **+3** |
| **Pillar I = Balance of payments restrictions** | | | **+2** |
| Current account restrictions (% of 40) | Latest | 7.5 | +3 |
| Capital account restrictions (% of 69) | Latest | 33.3 | +2 |
| | | | |
| **Combined pillar II & III incentives score** | | | **+3** |
| **Pillar II = Long-term institutional characteristics** | | | **+3** |
| **Governance (WB WGI)** | Latest | 87.6 | +3 |
| **International trade** | | | +2 |
| Trade openness | 2021-25 avg | 51.6 | +2 |
| Volatility of change in CXR (across 10yrs) | 2025 | 8.5 | +2 |
| Export share to FTA partners | 2021-25 avg | 75.3 | +3 |
| **International financial integration**[a] | 2021-25 avg | 146.4 | +3 |
| **Pillar III = Near-term risks** | | | **+3** |
| **Macro-financial stability risks** | | | +2 |
| Composite inflation risk score | | | +2 |
| Volatility of CPI (across 10yrs) | 2025 | 2.6 | +2 |
| Recent CPI peak | 2021-25 max | 8.7 | +3 |
| Cumulative broad money growth | 2020-25 chg % | 19.6 | +3 |
| Volatility of change in REER (across 10yrs) | 2025 | 2.5 | +2 |
| Dollarisation | Most recent | 0.0 | +3 |
| **Exchange rate risks** | | | +3 |
| Net external debt (% of CXR) | 2023-25 avg | -32.7 | +3 |
| Exchange rate regime | Latest | Free floating | +3 |
| | | | |
| **Qualitative Adjustment (QA, notches)** | | | **0** |
| Pillar I = Balance of payments restrictions | | | 0 |
| Pillar II = Long-term institutional characteristics | | | 0 |
| Pillar III = Near-term macro-financial stability risks | | | 0 |

[a] Data for international financial integration are the average of private external assets (% of GDP) and private external debt (% of GDP).
Source: Fitch Ratings

## Full Rating History

| | Foreign-Currency Rating | | | Local-Currency Rating | | | |
|---|---|---|---|---|---|---|---|
| Date | Long-Term | Short-Term | Outlook/Watch | Long-Term | Short-Term | Outlook/Watch | Country Ceiling |
| 22 Jul 2016 | AAA | F1+ | Stable | AAA | F1+ | Stable | AAA |
| 17 Jun 2004 | AAA | F1+ | Stable | AAA | - | Stable | AAA |
| 21 Sep 2000 | AAA | F1+ | Stable | AAA | - | Stable | - |
| 26 Oct 1995 | AAA | F1+ | - | AAA | - | - | - |
| 10 Aug 1994 | AAA | - | - | - | - | - | - |

Source: Fitch Ratings

## Appendix 1: Environmental, Social and Governance (ESG)

### Credit Relevance Scores

| General Issues | Key Sovereign Issues | SRM | QO | Score[a] |
|---|---|---|---|---|
| **Environmental (E)** | | | | |
| GHG Emissions and Air Quality | Emissions and air pollution as a constraint on GDP growth | 2 | 2 | 2 |
| Energy Management | Energy resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP | 3 | 3 | 3 |
| Water Resources and Management | Water resource availability and management as a constraint on GDP growth | 2 | 2 | 2 |
| Biodiversity and Natural Resource Management | Natural resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP | 3 | 2 | 3 |
| Natural Disasters and Climate Change | Impact of adverse climate trends, and likelihood of and resilience to shocks | 3 | 2 | 3 |
| **Social (S)** | | | | |
| Human Rights and Political Freedoms | Social stability, voice and accountability, regime legitimacy | 4 | 2 | 4 + |
| Human Development, Health and Education | Impact of human development, health and education on GDP per capita and GDP growth | 3 | 2 | 3 |
| Employment and Income Equality | Impact of unemployment and income equality on GDP per capita, GDP growth and political and social stability | 3 | 2 | 3 |
| Public Safety and Security | Impact of public safety and security on business environment and/or economic performance | 3 | 2 | 3 |
| Demographic Trends | Population decline or ageing, rapidly rising youth population; pensions sustainability | 3 | 2 | 3 |
| **Governance (G)** | | | | |
| Political Stability and Rights | Political divisions and vested interests; geopolitical risks including conflict, security threats and violence; policy capacity: unpredictable policy shifts or stasis | 5 | 2 | 5 + |
| Rule of Law, Institutional & Regulatory Quality, Control of Corruption | Government effectiveness, control of corruption, rule of law, regulatory quality | 5 | 2 | 5 + |
| International Relations and Trade | Trade agreements, membership of international organisations, bilateral relations; sanctions or other costly international actions | 3 | 2 | 3 |
| Creditor Rights | Willingness to service and repay debt | 4 | 2 | 4 + |
| Data Quality and Transparency | Availability, limitations and reliability of economic and financial data, including transparency of public debt and contingent liabilities | 3 | 2 | 3 |

Source: Fitch Ratings

### *About ESG Credit Relevance Scores*

The scores signify the credit relevance of the respective E, S and G issues to the sovereign entity's credit rating, according to the following scale:

- 5 – Highly relevant to the rating, a key rating driver with a high weight.
- 4 – Relevant to the rating, a rating driver.
- 3 – Relevant, but only has an impact on the entity rating in combination with other factors.
- 2 – Irrelevant to the entity rating but relevant to the sector (sovereigns).
- 1 – Irrelevant to the entity rating and irrelevant to the sector (sovereigns).

The score for each 'General Issue' is comprised of a component SRM and QO score, and is simply the higher of the two. SRM scores are fixed across all sovereigns as the weights in the SRM are the same for all sovereigns; QO component scores vary across all sovereigns.

All scores of '4' or '5' result in a negative impact on the rating, unless indicated otherwise. Where a positive impact is occurring, the score of '4' or '5' is appended with a '+' symbol. Scores of '3', '2' and '1' do not have a direction of impact assigned.

Please refer to ESG Relevance Scores for Sovereigns for further information on the framework, including 'Sovereign Rating Criteria References' (which identify specific potentially related SRM variables and QO factors for each 'General Issue').

## Credit-Relevant ESG Derivation

Germany has an ESG Relevance Score of '5[+]' for Political Stability and Rights as WBGI have the highest weight in Fitch's SRM and are, therefore, highly relevant to the rating and a key rating driver with a high weight. As Germany has a percentile rank above 50 for the respective governance indicator, this has a positive impact on the credit profile.

Germany has an ESG Relevance Score of '5[+]' for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as WBGI have the highest weight in Fitch's SRM and are, therefore, highly relevant to the rating and are a key rating driver with a high weight. As Germany has a percentile rank above 50 for the respective governance indicators, this has a positive impact on the credit profile.

Germany has an ESG Relevance Score of '4[+]' for Human Rights and Political Freedoms as the Voice and Accountability pillar of the WBGI is relevant to the rating and a rating driver. As Germany has a percentile rank above 50 for the respective governance indicator, this has a positive impact on the credit profile.

Germany has an ESG Relevance Score of '4[+]' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Germany, as for all sovereigns. As Germany has a record of 20+ years without a restructuring of public debt, which is captured in our SRM variable, this has a positive impact on the credit profile.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

# Appendix 2: Data Notes and Conventions

## Acronyms

Acronyms used in the above table and elsewhere in report are: Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Current Account Balance (CAB), Foreign Direct Investment (FDI), World Bank Worldwide Governance Indicators (WBGI), Sovereign Rating Model (SRM), Qualitative Overlay (QO). For a full list of indicator definitions, please refer to the most recent Sovereign Data Comparator.

## Medians

Medians underlying the SRM relative to rating category chart on the Rating Summary page and as reported in the Peer Analysis table on page 4 are long-term historical medians. These are based on actual data since 2000 for all sovereign-year observations when the sovereign was in the respective rating category at year-end. Current year ratings and data are excluded.

Chart medians on page 3 are based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.

## Notes for Germany

All data are on a calendar-year basis, which aligns with the domestic fiscal year for this sovereign.

Public finances data referenced in this report relate to the consolidated general government, as per our principal approach, unless specifically noted otherwise where cited.

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