

## RATING ACTION COMMENTARY

# Fitch Affirms Germany at 'AAA'; Outlook Stable

Fri 15 May, 2026 - 5:02 PM ET

Fitch Ratings - Frankfurt am Main - 15 May 2026: Fitch Ratings has affirmed Germany's Long-Term Issuer Default Ratings (IDRs) at 'AAA' with a Stable Outlook.

A full list of rating actions is at the end of this Rating Action Commentary.

Germany's 'AAA' rating reflects its large, wealthy and diversified economy, exceptional financing flexibility as the eurozone's benchmark issuer and a long record of prudent fiscal management. These strengths continue to support substantial fiscal headroom, despite a weaker growth outlook, marked fiscal loosening and rising political fragmentation. Structural economic weaknesses, softer governance indicators and a sustained rise in public debt are increasing pressure on the rating, but do not outweigh Germany's core credit strengths.

## KEY RATING DRIVERS

**Exceptional Financing Flexibility:** Germany's rating is underpinned by exceptional market access, low borrowing costs relative to peers and its unique role as the eurozone's benchmark issuer. These features provide substantial capacity to absorb shocks and support continued funding flexibility even in less favourable market conditions. They are reinforced by Germany's large and wealthy economy, deep capital markets and strong policy credibility.

**High Debt Tolerance:** We expect general government debt to continue rising, exceeding 70% of GDP by 2029, which would leave Germany with the highest debt burden among 'AAA' rated sovereigns. Germany still retains substantial fiscal headroom, supported by its financing flexibility and a strong record of fiscal adjustment. However, sustained rise in debt without credible medium-term stabilisation would increase pressure on the rating.

**Significant Fiscal Loosening:** Public finances are set to weaken materially as higher defence and infrastructure spending outpaces still-resilient revenue growth. We project the general government deficit to widen to 3.7% of GDP in 2026 from 2.7% in 2025, with further deterioration thereafter as special-fund disbursements gather pace and defence spending continues to rise. The fiscal framework has also become less transparent as off-budget funds play a larger role, making the underlying fiscal stance currently harder to assess.

**Consolidation More Difficult:** Germany's strong fiscal record remains a rating strength, but current fiscal settings are not consistent with debt stabilisation. We expect the country to need significant consolidation after 2028 to comply with EU fiscal rules, if temporary flexibility for defence spending expires as planned. Rebuilding fiscal headroom will likely be more difficult than pre-pandemic due to lower growth and higher bond yields. Increased issuance is pushing up interest expenditure, even if financing conditions remain favourable relative to peers.

**Energy Shock Hits Growth:** A renewed energy shock has interrupted Germany's fragile recovery, highlighting the economy's vulnerability to external disruptions. Germany is among the most exposed economies in the eurozone, given its energy-intensive industrial base, reliance on imported energy and weakened competitiveness. We expect the shock to weigh on growth in 2026, with softer household consumption and exports only partly offset by public spending and investment support.

**Structural Weaknesses Weigh on Growth:** Germany's weak growth performance in recent years reflects repeated external shocks as well as entrenched structural constraints. Weak demographics are a key challenge, weighing on labour supply and medium-term growth potential. High energy costs, labour shortages and burdensome regulations are also weakening competitiveness, particularly in manufacturing. Rising Chinese competition and broader trade fragmentation are compounding these pressures, limiting the economy's capacity to rebound strongly.

**Fiscal Aid Supports Growth:** Large fiscal packages should provide meaningful support to activity over the next few years. The EUR500 billion (17.6% of 2025 GDP) infrastructure and climate fund and sharply higher defence spending should cushion near-term weakness and support demand. However, we expect only a modest effect on potential growth, as implementation will take time, some of the spending will go towards maintenance rather than new productive capacity and import leakages could limit domestic multiplier effects, among other factors.

**Reforms May Support Potential Growth:** The government is also advancing reforms in areas including healthcare, pensions and income tax, aimed at improving fiscal

sustainability, labour supply, growth and competitiveness. These measures could help address some of Germany's structural constraints over time, but their effects are likely to emerge only gradually, and implementation risks have risen in a weaker political and economic environment.

**Rising Political Risks:** The political backdrop has become less supportive of policymaking. Weak growth, declining support for governing parties and rising voter fragmentation are making reform delivery more difficult and increasing implementation risk. We believe the coalition remains incentivised to stay together; however, tensions within the government could complicate agreement on measures with meaningful fiscal or distributional effects. This softer backdrop is also reflected in some erosion of Germany's governance indicators in recent years, although these remain strong by international standards.

**Banking Sector Remains Sound:** Germany's banking sector supports its rating. Asset quality, capitalisation, funding and liquidity are sound, which should limit the impact of weak economic conditions and geopolitical risks on financial stability. We expect asset quality to slightly deteriorate as insolvencies rise and recovery remains subdued, but banking sector risks appear manageable and are unlikely to pose a material contingent liability to the sovereign.

**ESG - Governance:** Germany has an ESG Relevance Score (RS) of '5[+]' for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption. These scores reflect the high weight that the World Bank Governance Indicators (WBG I) have in our proprietary Sovereign Rating Model (SRM). Germany has a high WBG I ranking at 86.8, reflecting its long record of stable and peaceful political transitions, well-established rights for participation in the political process, strong institutional capacity, effective rule of law and a low level of corruption.

## **RATING SENSITIVITIES**

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

-- **Public Finances:** A marked and sustained increase in general government debt above our medium-term forecast, for example due to a prolonged period of wider budget deficits or materially weaker growth

-- **Structural:** Evidence that Germany's medium-term growth potential is materially lower than we currently assume, for example if structural constraints prove more severe than indicated by recent growth outcomes

## **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.

## **SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)**

Fitch's proprietary SRM assigns Germany a score equivalent to a rating of 'AAA' on the Long-Term Foreign-Currency (LTFC) IDR scale.

Fitch's sovereign rating committee did not adjust the output from the SRM to arrive at the final LTFC IDR.

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 LTFC 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.

## **DEBT INSTRUMENTS: KEY RATING DRIVERS**

Senior Unsecured Debt Equalised: The senior unsecured long-term debt ratings are equalised with the applicable Long-Term IDR, as Fitch assumes recoveries will be 'average' when the sovereign's Long-Term IDR is 'BB-' and above.

## **COUNTRY CEILING**

The Country Ceiling for Germany is 'AAA', in line with the LTFC 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 +3 notches and Fitch's rating committee did not apply a qualitative adjustment to the model's result.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **CLIMATE VULNERABILITY SIGNALS**

The results of our Climate.VS screener did not indicate an elevated risk for Germany.

## **ESG CONSIDERATIONS**

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](http://www.fitchratings.com/esg).

## RATING ACTIONS

ENTITY / DEBT ⇅	RATING TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
Germany	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+

	LC LT IDR	AAA Rating Outlook	AAA Rating Outlook	AAA Rating Outlook
	LC ST IDR	F1+	Affirmed	F1+
	Country Ceiling	AAA	Affirmed	AAA
Senior Unsecured- Local currency	LT	AAA	Affirmed	AAA
Senior Unsecured- Local currency	ST	F1+	Affirmed	F1+

[VIEW ADDITIONAL RATING DETAILS](#)

## FITCH RATINGS ANALYSTS

### Malgorzata Wegner

Director

Primary Rating Analyst

+49 69 768076 279

malgorzata.wegner@fitchratings.com

Fitch Ratings – a branch of Fitch Ratings Ireland Limited

Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

### Hannah Dimpker

Director

Secondary Rating Analyst

+49 69 768076 263

hannah.dimpker@fitchratings.com

### James Longsdon

Managing Director - Head of Sovereigns

Committee Chairperson

+44 20 3530 1076

james.longsdon@fitchratings.com

## MEDIA CONTACTS

### Peter Fitzpatrick

London

+44 20 3530 1103

peter.fitzpatrick@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## **APPLICABLE CRITERIA**

[Country Ceiling Criteria \(pub. 24 Jul 2023\)](#)

[Sovereign Rating Criteria \(pub. 27 Apr 2026\) \(including rating assumption sensitivity\)](#)

## **APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

[Country Ceiling Model, v2.0.3 \(1\)](#)

[Debt Dynamics Model, v1.3.3 \(1\)](#)

[Macro-Prudential Indicator Model, v1.5.0 \(1\)](#)

[Sovereign Climate Risk Model, v1.0.0 \(1\)](#)

[Sovereign Rating Model, v3.14.4 \(1\)](#)

## **ADDITIONAL DISCLOSURES**

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## **ENDORSEMENT STATUS**

Germany

EU Issued, UK Endorsed

## **UNSOLICITED ISSUERS**

**Germany (Unsolicited)**

With Rated Entity or Related Third Party Participation	Yes
With Access to Internal Documents	Yes
With Access to Management	Yes

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### UNSOLICITED ISSUERS

ENTITY/SECURITY	ISIN/CUSIP	RATING TYPE	SOLICITATION STATUS
Germany EUR 25 bln 2.2% bond/note 13-Apr-2028	DE000BU25000	Long Term Rating	Unsolicited
Germany EUR 19 bln 2% bond/note 10-Dec-2026	DE000BU22072	Long Term Rating	Unsolicited
Germany EUR 28.25 bln 4% bond/note 04-Jan- 2037	DE0001135275	Long Term Rating	Unsolicited
Germany EUR 8.5 bln Zero treasury bills/notes/bonds	DE000BU0E345	Short Term Rating	Unsolicited

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