Federal Republic of Germany

Rating report

Rating rationale

Wealthy, large, and diversified economy: Germany's ratings benefit from its large and highly diversified economy. However, the economy has recovered more slowly than peer economies from the pandemic and the spike in energy prices. This reflects the economy's very high interconnectedness with global trade and thus dependence on external demand, as well as dependence on energy imports and and persistent energy price pressures amid geopolitical tensions. Scope expects real GDP growth of 0.8% this year, supported by the ramp- up in the federal government's investment and defence spending, and an average of 1% over 2027-2030.

Robust fiscal framework: Germany's solid fiscal policy framework and strong track record of fiscal discipline are anchored by its constitutional debt-brake rule. This has preserved significant fiscal space, which the federal government is partly using to address infrastructure investment and defence spending needs in the coming years. Due to resulting higher fiscal deficits, Scope expects the debt-to GDP ratio to increase from 63.5% at YE 2025 to around 72% by 2030.

Highly competitive external sector: The economy's strong external position is reflected in high and persistent current account surpluses, at 4.4% of GDP in 2025 and expected at 3.9% of GDP in 2026. The current account surplus is projected to remain solid but markedly below pre-pandemic levels in the medium term, due to higher public sector investments, softening external demand and higher import balances.

Rating challenges include: i) the implementation of structural reforms and transition risks faced by energy intensive industries, given carbon neutrality targets; ii) an ageing population, resulting in rising pension liabilities and downward pressure on the country's medium-term growth potential; and iii) vulnerabilities related to global geopolitical, trade and external competitiveness risks.

Figure 1: Germany's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency	Political risk	Qualitative	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aa+	EUR [+1]	Germany [-0]	- 1/3	AAA
Public finance risk		25%	a+			0	
External economic risk		10%	aaa			2/3	
Financial stability risk		10%	a			1/3	
ESG risk	Environmental factors	3%	aa+			- 1/3	
	Social factors	3%	aaa			0	
	Governance factors	14%	aaa			0	
Sovereign Quantitative Model*		**aaa**				**+0**	
Additional considerations						**0**	

*Scope's Sovereign Quantitative Model (SQM) signals a final indicative credit rating of 'aaa', which was approved by the Rating Committee.

For details, please see Scope's Sovereign Rating Methodology.

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating

S-1+

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating

S-1+

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Credit strengths and challenges

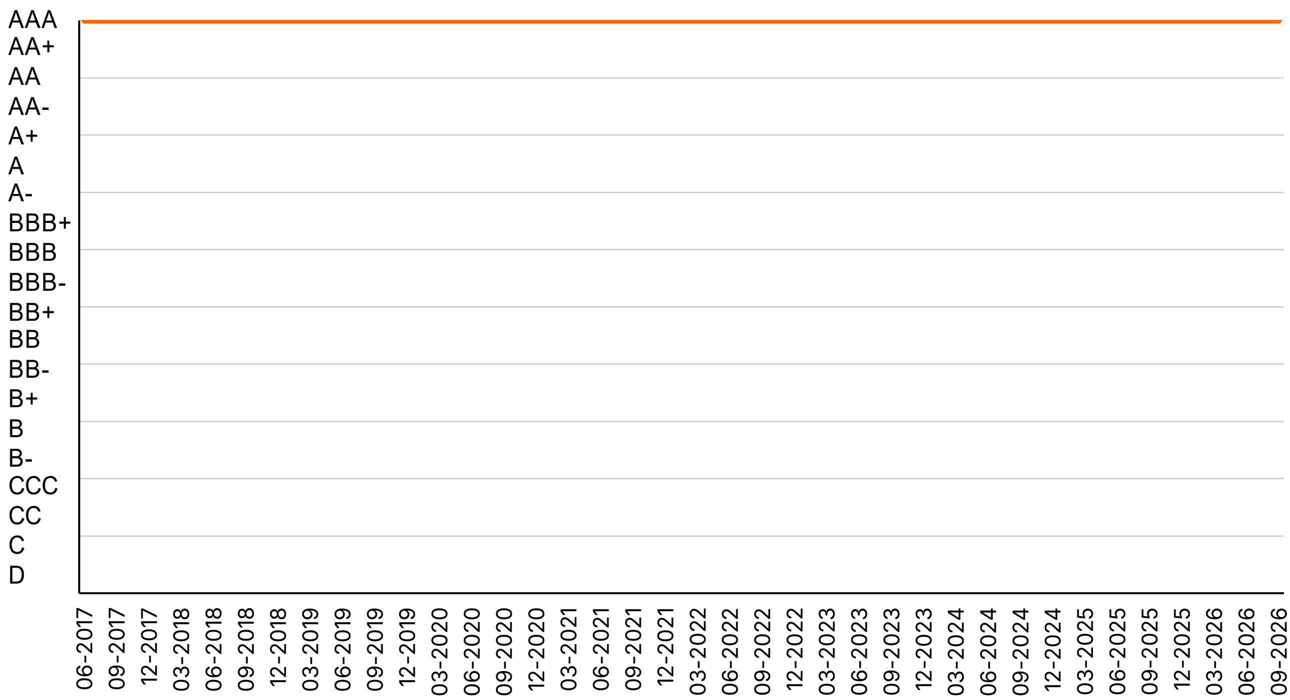
Credit strengths	Credit challenges
• Wealthy, large and diversified economy • Robust fiscal framework and strong track record of fiscal discipline • Very competitive external sector, albeit external pressures are increasing	• Structural reforms and transition risks for energy-intensive industries • Ageing population, resulting in rising pensions liabilities and downward pressure on growth potential • Vulnerabilities related to global geopolitical, trade and external competitiveness risks

Outlook and rating triggers

The **Stable Outlook** reflects the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
• N/A	• Significant fiscal deterioration, resulting in a material and sustained worsening in debt sustainability over the long term • Severe macroeconomic or financial system shock, resulting in a weaker growth outlook

Figure 2: Rating history



Foreign-currency long-term issuer rating; Positive/Negative Outlooks treated with a +/-0.33-notch adjustment; Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

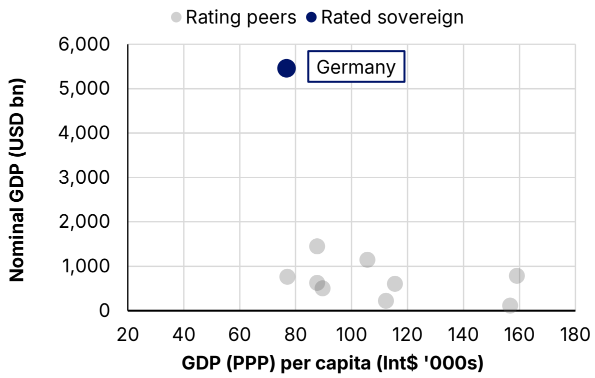
Rating analysis

Domestic economic risk

Overview of Scope's assessments of Germany's *Domestic Economic Risk*

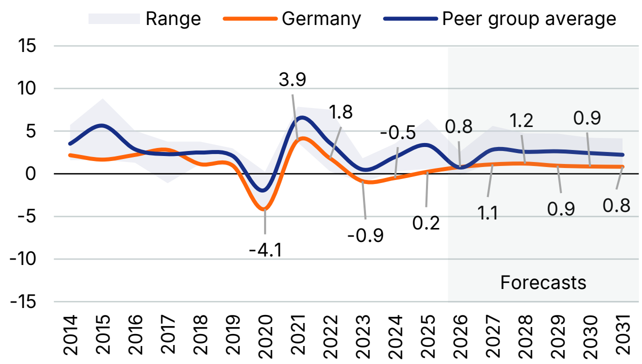
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential and outlook	Weak	- 1/3	Demographic challenges, significant investment gap and structural challenges in key industries but medium-term boost through fiscal package expected
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macroeconomic stability and sustainability	Neutral	0	Competitive and diversified economy but weaknesses in digitalisation, labour market challenges related to ageing; high resource dependence and trade links with other countries

Figure 3: Nominal GDP and GDP per capita (2026E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



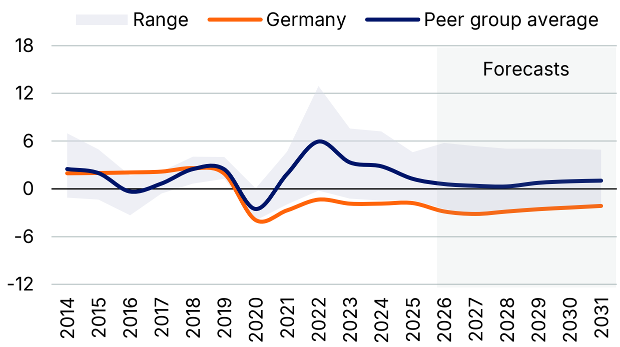
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Germany's *Public Finance Risk*

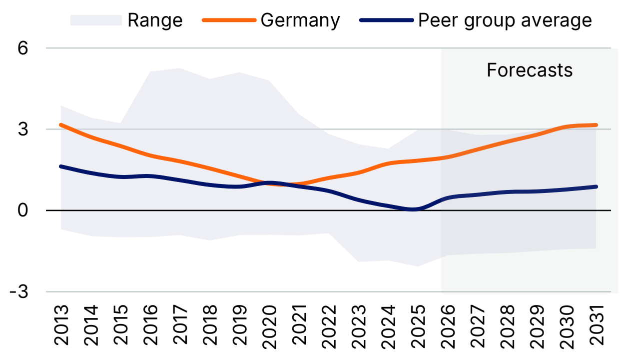
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Constitutionally anchored debt brake at federal and regional level; strong policy response aimed at raising defence spending and infrastructure investment
	Long-term debt trajectory	Weak	- 1/3	Moderate public debt with high resilience to adverse scenarios; rising debt trajectory to fund defence and infrastructure spending; rising pension liabilities
	Debt profile and investor base	Strong	1/3	Primary benchmark issuer in euro area, reflected in low interest payments despite heightened debt levels

Figure 5: Primary balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 6: Net interest payments, % of government revenue



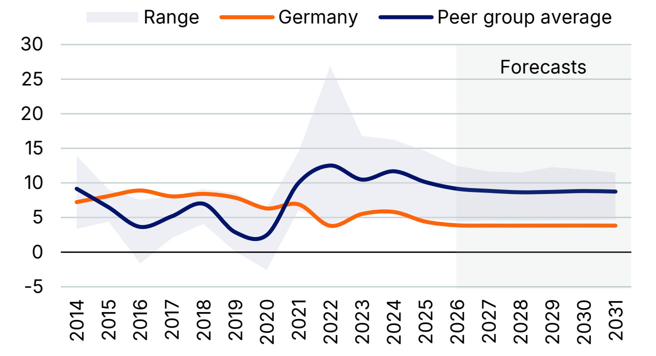
Source: IMF WEO forecasts, Scope Ratings

External economic risk

Overview of Scope's assessments of Germany's *External Economic Risk*

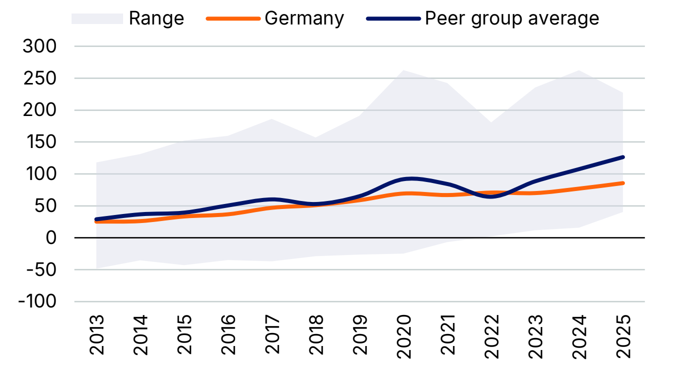
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Strong	1/3	Diversified and competitive export base; strong track record of current account surpluses, albeit some moderation expected in the medium term
	External debt structure	Neutral	0	Moderate external debt
	Resilience to short-term external shocks	Strong	1/3	Benefits from euro area membership; large external creditor position

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % of GDP



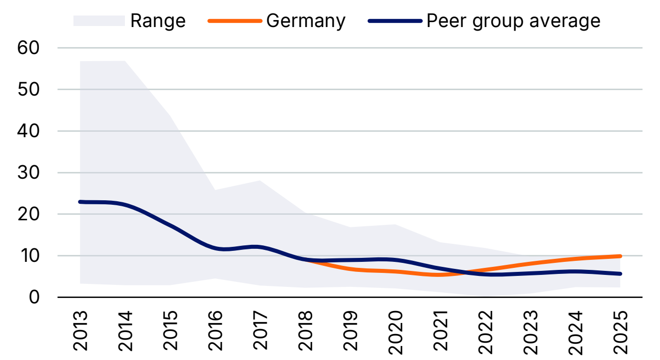
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Germany's *Financial Stability Risk*

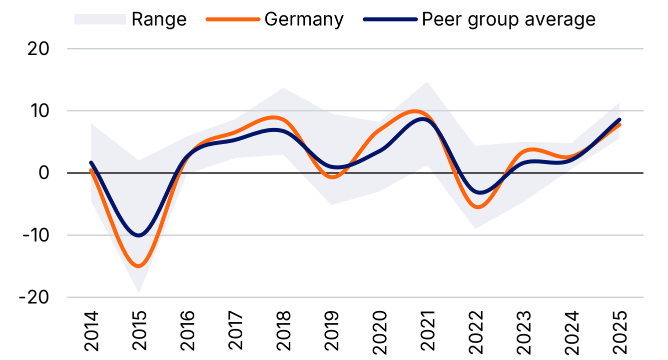
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Banking sector performance	Neutral	0	Relatively low aggregate profitability and high cost base of banks balanced by adequate capitalisation and moderate exposure risk to nonfinancial corporate debt
	Financial sector oversight and governance	Neutral	0	Oversight under National Supervisory Authority and ECB as part of banking union
	Financial imbalances	Strong	1/3	Moderate household and private sector indebtedness; closely monitored systemic risks in financial system

Figure 9: Non-performing loans net of provisions, % of capital



Source: IMF, Scope Ratings

Figure 10: Private sector credit growth, %



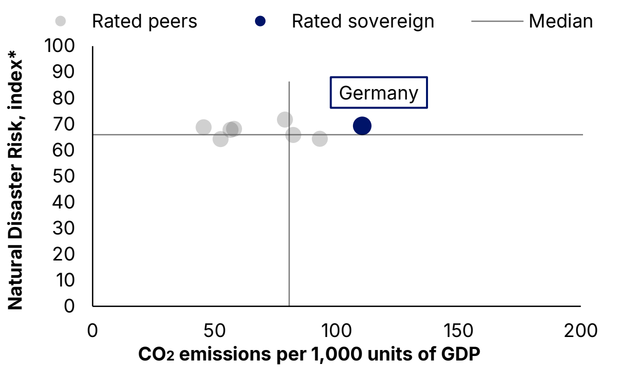
Source: World Bank (WB), Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Germany's *ESG Risk*

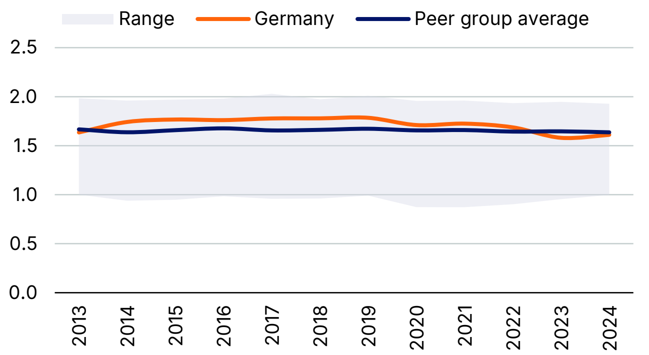
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Environmental factors	Weak	- 1/3	Structural challenges related to transition risk given carbon neutrality targets and economic importance of energy-intensive key industries
	Social factors	Neutral	0	Weak demographics given an ageing workforce, balanced by high social inclusion and improving labour force participation; inequality risks in line with peers
	Governance factors	Neutral	0	High-quality institutions but highly fragmented political environment

Figure 11: Natural disaster and transition risks



Source: European Commission, Notre Dame Global Adaptation Initiative, Scope Ratings
*Higher scores indicate lower vulnerability to physical risks. Median of SQM peers.

Figure 12: Governance, index score*



Source: World Bank (WB), Scope Ratings
*Mean of the WB estimates for Control of Corruption, Government Effectiveness, Regulatory Quality, and Rule of Law.

Reserve-currency adjustment

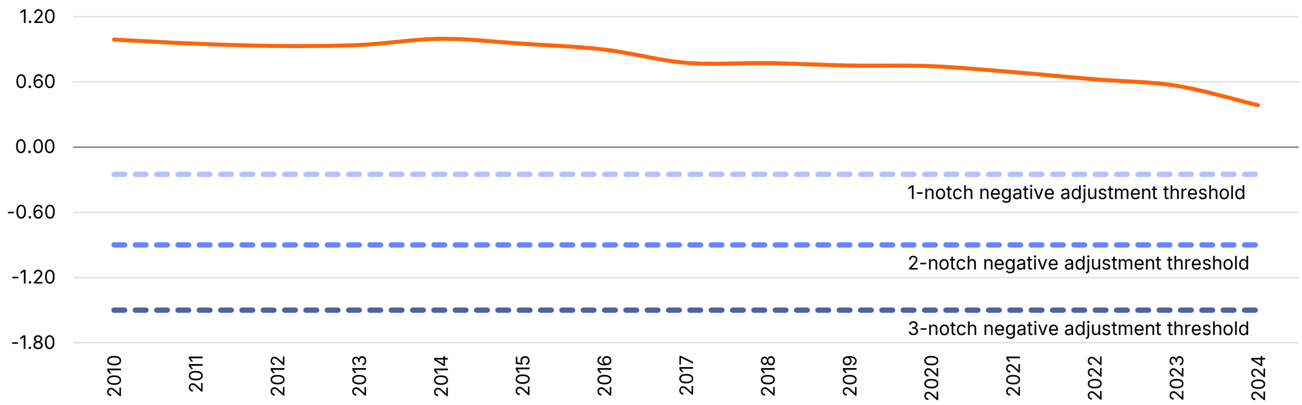
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	**Euro**	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	**29.3**	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	**1**	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

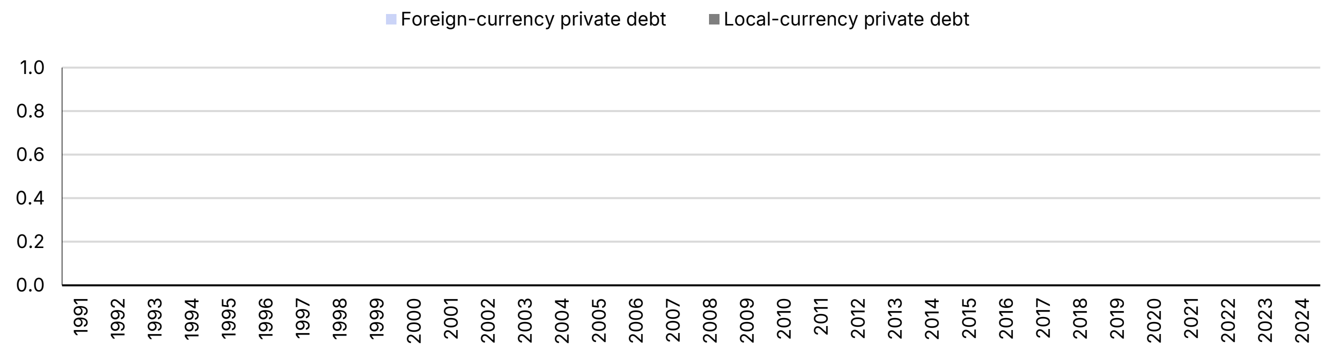
Figure 13: WB Political Stability & Absence of Violence/Terrorism index, **Germany**, three-year moving average



Source: WB, Scope Ratings

Sovereign default history and applicability of the default cap

Figure 14: Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under Scope's credit-rating definitions.

Source: Bank of Canada–Bank of England Sovereign Default Database, Scope Ratings.

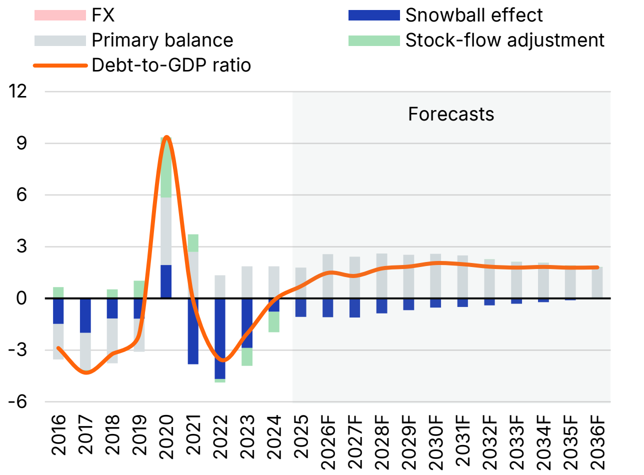
In view of the absence of a recent episode of default, the rating committee did not apply a cap to the indicative SQM rating.

Additional considerations

No adjustment was applied to the rating from additional considerations.

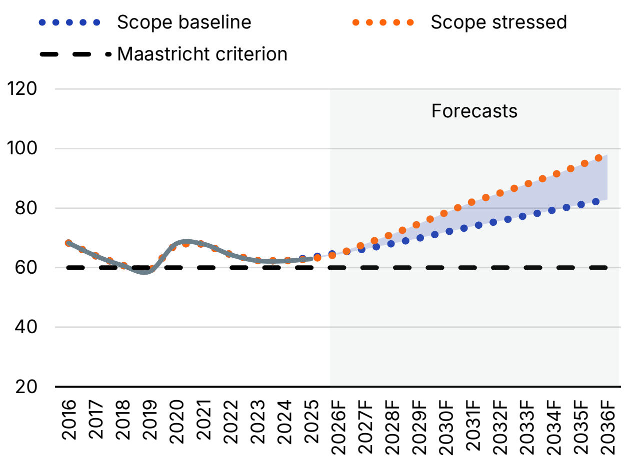
Appendix 1. Debt sustainability analysis

Figure 15: Contributions to change in debt ratio, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 16: Debt-to-GDP ratio forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

Scope DSA baseline, % of GDP (unless stated otherwise)

	2025E	2026F	2027F	2028F	2029F	2030F	2031F	Avg. 2032F-2036F
Real GDP growth (%)	0.2	0.8	1.1	1.2	0.9	0.9	0.8	0.8
Deflator (%)	3.0	2.6	2.5	2.2	2.3	2.3	2.2	2.2
Primary balance	-1.8	-2.8	-2.8	-2.7	-2.6	-2.5	-2.4	-2.0
Net interest payments	0.9	1.0	1.2	1.3	1.4	1.6	1.6	2.1
General government debt (gross)	63.5	65.0	66.3	68.0	69.9	71.9	73.9	82.9*

* Figure refers to the end-2036 forecast.
Source: Scope Ratings

Appendix 2. Rating peers

Rating peers are sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's SQM after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Denmark
Luxembourg
Netherlands
Norway
Sweden
Switzerland

*Selected publicly rated sovereigns only; the full sample of sovereign-rating peers may be larger.
The shaded range in the charts above represents the distribution of sovereign-rating peers between the 10th and 90th percentiles of the full sample.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 27 August 2026	7.5

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (21 out of 26 – with the governance indicator reflecting a composite of four indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources used ensure comparability across global sovereign peers and may therefore differ from national or other international statistical series; as a result, they may not immediately reflect the latest national updates.

Pillar	Core variable	Source	2021	2022	2023	2024	2025	2026E
Domestic Economic	**GDP per capita (PPP)**, Int$ '000s	IMF	64.0	69.3	70.6	71.8	74.0	76.7
	Nominal GDP, USD bn	IMF	4,358	4,204	4,564	4,684	5,048	5,453
	Real growth, %	IMF	3.9	1.8	-0.9	-0.5	0.2	0.8
	CPI inflation, %	IMF	3.2	8.7	6.0	2.5	2.3	2.7
	Working-age population growth, %	UN	-0.5	-0.1	0.0	-0.6	-1.3	-1.3
Public Finance	**General government debt**, % of GDP	IMF	67.9	64.4	62.3	62.2	62.9	64.6
	Net interest payments, % of government revenue	IMF	1.0	1.2	1.4	1.7	1.8	2.0
	Primary balance, % of GDP	IMF	-2.7	-1.3	-1.9	-1.9	-1.8	-2.8
External Economic	**Current-account balance**, % of GDP	IMF	6.9	3.8	5.5	5.8	4.4	3.9
	NIIP, % of GDP	IMF	66.9	70.8	70.0	77.0	85.6	-
Financial stability	**Non-performing loans net of provisions**, % of capital	IMF	5.4	6.6	8.1	9.2	9.9	-
	Private sector credit growth, (7y av. YoY change, %)	WB	9.2	-5.4	3.4	2.6	7.8	-
ESG	**CO_2 per EUR 1,000 of GDP**, kgCO_2e	EC	128.9	124.8	112.1	110.5	-	-
	Income share of bottom 50%, %	WID	18.8	18.8	18.8	18.8	-	-
	Labour-force participation rate, %	WB	78.7	79.3	79.8	79.9	80.0	-
	Unemployment rate, %	WB	3.6	3.1	3.1	3.4	3.7	-
	Composite governance indicators*, index	WB	1.7	1.7	1.6	1.6	-	-
	Political stability, index	WB	0.7	0.6	0.6	0.4	-	-

*Average of the following four World Bank Worldwide Governance Indicators: Control of Corruption, Rule of Law, Government Effectiveness, and Regulatory Quality.

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Related research

G7 economies exposed to rising yields amid elevated public debt, 4 August 2026
Germany: comprehensive pension system reform would support the AAA rating, 25 June 2026
Germany: domestic demand key to boosting economic recovery amid trade and energy uncertainty, 24 March 2026
Scope has completed a monitoring review for the Federal Republic of Germany, 6 March 2026
Scope affirms Germany's AAA rating with Stable Outlook, 12 September 2025

Applied methodology

Sovereign Rating Methodology, March 2026

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