

# Scope completes monitoring review for the Federal Republic of Germany

## Monitoring review announcement

Scope Ratings GmbH (Scope) monitors and reviews its credit ratings on an ongoing basis and at least annually, or every six months in the case of sovereigns, sub-sovereigns and supranational organisations.

Scope performs monitoring reviews to determine whether material changes and/or changes in macroeconomic or financial market conditions could have an impact on the credit ratings. Scope considers all available and relevant information when undertaking the monitoring review.

Monitoring reviews are conducted by performing a peer comparison, benchmarking against the rating-change drivers, and/or reviewing the credit ratings' performance over time, as deemed appropriate by the Lead Analyst or Analytical Team Head, in addition to an assessment of all aspects of the relevant methodology/ies, including key rating assumptions and model(s). Scope publicly announces the completion of each monitoring review on its website.

Scope completed the monitoring review for the Federal Republic of Germany (long-term local- and foreign-currency issuer and senior unsecured debt ratings: AAA/Stable; short-term local- and foreign-currency issuer rating: S-1+/Stable) on 16 May 2022.

This monitoring note does not constitute a credit rating action, nor does it indicate the likelihood that Scope will conduct a credit rating action in the short term. Information about the latest credit rating action connected with this monitoring note along with the associated rating history can be found on [www.scoperatings.com](http://www.scoperatings.com).

## Key rating factors

Germany's AAA/Stable ratings are underpinned by the following credit strengths: i) its wealthy, large and diversified economy; ii) its solid fiscal policy framework and strong track record of fiscal discipline; and iii) a highly competitive external sector. These factors support the country's resilience to economic shocks, including from the Covid-19 pandemic and the fallout from the escalation of the Russia-Ukraine war, and they offer the government the fiscal space needed to support the economy with countercyclical measures. The increased use of extra-budgetary funds to increase government borrowing outside Germany's constitutional debt brake, as is expected with regard to additional military expenditure, reduces the transparency of the fiscal framework. Nevertheless, the debt brake remains a crucial cornerstone of Germany's fiscal sustainability.

Challenges relate to: i) transition risks for energy-intensive industries related to carbon neutrality targets and low levels of public and private sector investment relative to peers; and ii) an ageing population, resulting in rising pension liabilities and downward pressure on the country's medium-run growth potential.

The Stable Outlook reflects Scope's view that risks to the ratings are balanced over the next 12 to 18 months.

The rating/Outlook could be downgraded if, individually or collectively: i) protracted fiscal deterioration and/or insufficient reforms on pension commitments resulted in a persistent increase in public debt; and/or ii) structural reforms were insufficient, weighing on the country's growth potential.

For the updated report accompanying this review, click [here](#).

The methodology applicable for the reviewed ratings and/or rating Outlooks (Sovereign Ratings, 8 October 2021) is available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

This monitoring note is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0.

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## About Scope Group

With more than 250 employees operating from offices in Berlin, Frankfurt, Hamburg, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG and fund analysis. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. **Scope Ratings** is the largest European credit rating agency, registered in accordance with EU and UK rating agency regulation, offering opinion-driven and non-mechanistic credit risk analysis. **Scope ESG Analysis** provides tools for analysing and reporting on ESG impact and risk, as well as second-party opinions on green, social and sustainable bonds. **Scope Fund Analysis** rates more than 10,000 funds and asset managers across all major asset classes. The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on [www.scopegroup.com](http://www.scopegroup.com)

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