

## Land of Baden-Württemberg

### Rating report

#### Rating rationale and Outlook

The Land of Baden-Württemberg's (Baden-Württemberg) AAA rating is driven by:

- **A highly integrated Institutional Framework**, characterised by a strong revenue equalisation system and the federal solidarity principle, which results in a close alignment of Länder's creditworthiness with the German federal government's AAA/Stable ratings.
- **A strong Individual Credit Profile**, underpinned by i) a large, diversified economic base with robust growth prospects and a low unemployment rate, ii) solid budgetary performance and management, iii) a moderate, and declining, debt burden with a low-risk debt profile, and iv) excellent capital market access. Credit challenges relate to limited revenue and expenditure flexibility, and high pension liabilities weighing on expenditure flexibility in the long-term, although risks are mitigated by regular contributions to the state's pension funds.

#### Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

#### Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

#### Lead Analyst

Eiko Sievert

+49 69 6677389-79

[e.sievert@scoperatings.com](mailto:e.sievert@scoperatings.com)

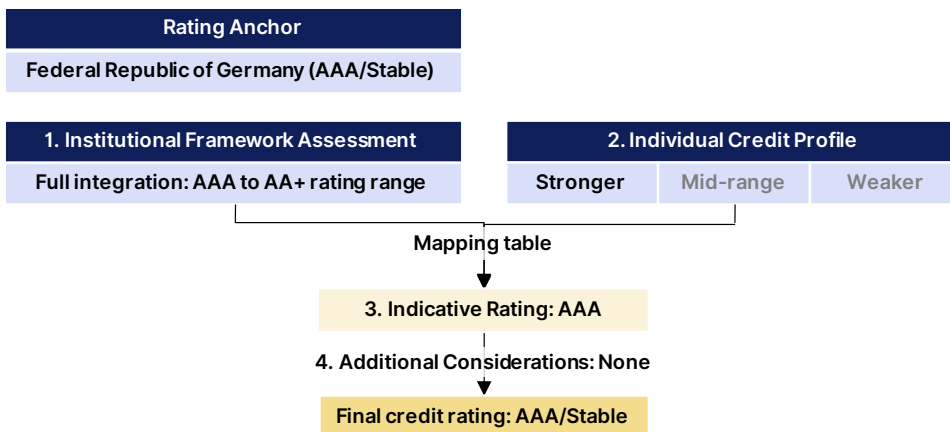
#### Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

Figure 1: Baden-Württemberg's rating drivers



Note: For further details, please see Scope's Sub-sovereigns Rating Methodology.  
Source: Scope Ratings

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

### Credit strengths and challenges

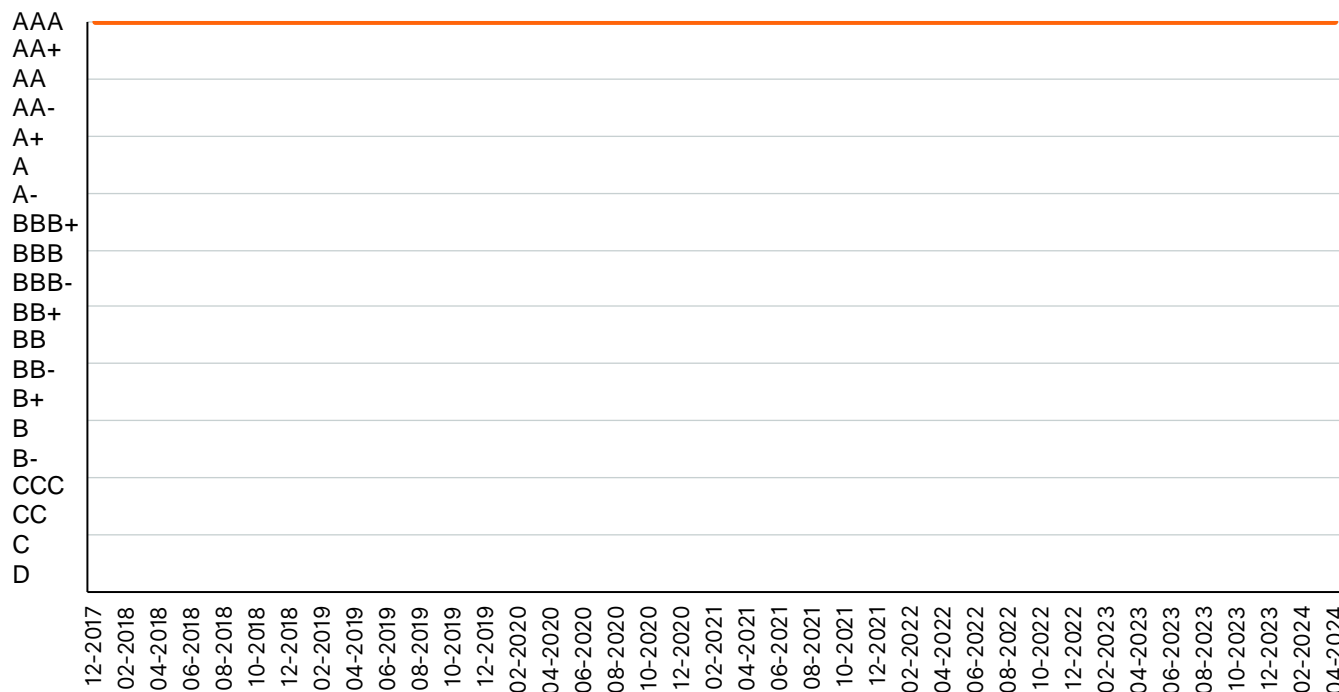
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>• Integrated institutional framework</li> <li>• Large, wealthy, and resilient economy</li> <li>• Sound budgetary performance</li> <li>• Declining debt burden, favourable debt profile</li> <li>• Excellent capital market access</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate budgetary flexibility</li> <li>• High pension burden weighing on long-term expenditure flexibility</li> </ul>

### Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Downgrade of Germany’s sovereign rating</li> <li>• Changes in the institutional framework, resulting in a weaker individual credit profile</li> <li>• Structural deterioration of individual credit profile</li> </ul>

Figure 2: Rating history<sup>1</sup>



Source: Scope Ratings

<sup>1</sup> Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

## Appendix I. Institutional Framework Assessment

To assess the institutional framework, we apply a Qualitative Scorecard (QS1) centred around 6 components. We assess each analytical component on a five-point scale ranging from a score of 0 for 'low' integration to 100 for 'full' integration. The institutional framework score, ranging from 0 to 100, is calculated as a simple average of these assessments. The score is then used to determine a rating range from the rating anchor level, within which the sub-sovereign's rating can be positioned.

Our assessment of intergovernmental integration between the Länder and the Federal Republic of Germany (AAA/Stable) results in an **indicative downward rating range of up to one notch** from the German sovereign, within which the Länder can be positioned according to their individual credit strengths.

### Institutional Framework scorecard (QS1)

Analytical component	Full integration (100)	Strong integration (75)	Medium integration (50)	Some integration (25)	Low integration (0)
Extraordinary support and bail-out practices	●				
Ordinary budgetary support and fiscal equalisation	●				
Funding practices			●		
Fiscal rules and oversight	●				
Revenue and spending powers	●				
Political coherence and multilevel governance	●				

Integration score	<b>92</b>
Downward rating range	<b>0-1</b>

Institutional framework score	100 > x ≥ 90	90 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 > x ≥ 10	10 > x ≥ 0
Indicative rating range	0-1	0-2	0-3	0-4	0-5	0-6	0-7	0-8	0-9	0-10

## Appendix II. Individual Credit Profile

Risk pillar	Analytical component	Assessment		
Debt and liquidity	Debt burden & trajectory	Stronger	Mid-range	Weaker
	Debt profile & affordability	Stronger	Mid-range	Weaker
	Contingent liabilities	Stronger	Mid-range	Weaker
	Liquidity position & funding flexibility	Stronger	Mid-range	Weaker
Budget	Budgetary performance & outlook	Stronger	Mid-range	Weaker
	Revenue flexibility	Stronger	Mid-range	Weaker
	Expenditure flexibility	Stronger	Mid-range	Weaker
Economy	Wealth levels and economic resilience	Stronger	Mid-range	Weaker
	Economic sustainability	Stronger	Mid-range	Weaker
Governance	Governance and financial management	Stronger	Mid-range	Weaker

Additional environmental and social factors	Assessment		
Environmental factors and resilience	Positive impact	No impact	Negative impact
Social factors and resilience	Positive impact	No impact	Negative impact

ICP score	80
Indicative notching	0

### Appendix III. Mapping table

We derive the indicative sub-sovereign rating by mapping the result of the institutional framework assessment (i.e. the indicative rating range) to the ICP score.

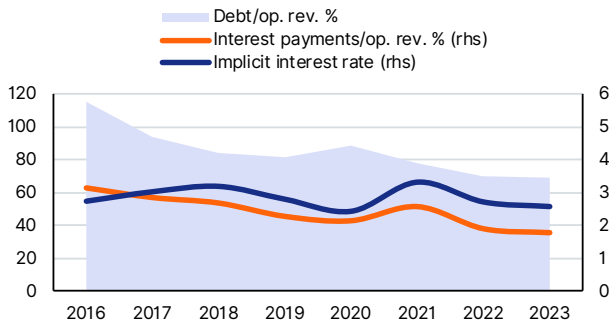
For Baden-Württemberg, this results in an indicative rating aligned with the sovereign rating of AAA. No additional considerations apply.

Institutional framework assessment		Individual credit profile score							
Score	Downward rating range	100 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 ≥ x > 0
100 > x ≥ 90	0-1	0	0	0	0	0	0	-1	-1
90 > x ≥ 80	0-2	0	0	-1	-1	-1	-1	-2	-2
80 > x ≥ 70	0-3	0	-1	-1	-1	-2	-2	-3	-3
70 > x ≥ 60	0-4	0	-1	-1	-2	-2	-3	-3	-4
60 > x ≥ 50	0-5	0	-1	-1	-2	-2	-3	-4	-5
50 > x ≥ 40	0-6	0	-1	-1/-2	-2/-3	-2/-3	-3/-4	-4/-5	-6
40 > x ≥ 30	0-7	0	-1/-2	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7
30 > x ≥ 20	0-8	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-6/-7	-8
20 > x ≥ 10	0-9	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7/-8	-9
10 > x ≥ 0	0-10	0	-1/-2	-2/-3	-3/-4	-5/-6	-7/-8	-9/-10	-10

Note: Mapping table under section 4 of Scope’s Sub-sovereigns Rating Methodology, as applied to the rating anchor’s AAA-ratings.

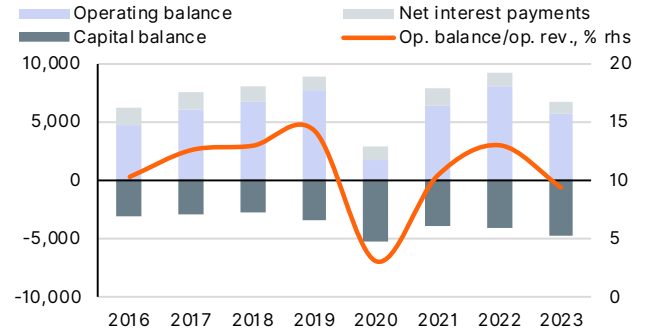
### Appendix IV. Selected charts

Figure 1: Debt and interest burden, %



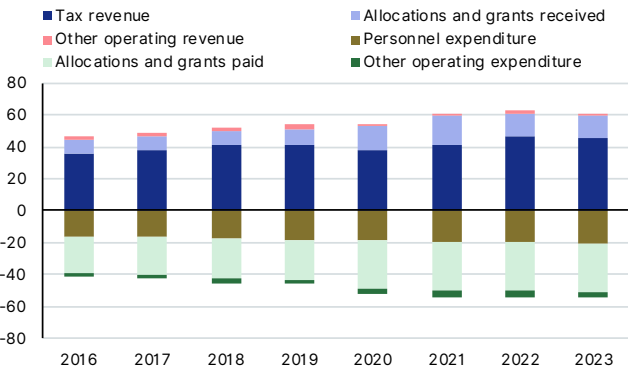
Sources: Destatis, Scope Ratings

Figure 2: Budgetary performance, EUR m (lhs); % (rhs)



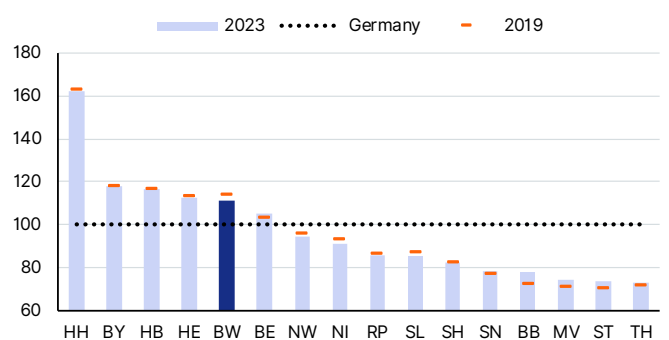
Sources: Destatis, Scope Ratings

Figure 3: Components of operating balance, EUR bn



Sources: Destatis, Scope Ratings

Figure 4: GDP per capita, % of national average



Sources: Statistische Ämter des Bundes und der Länder, Scope Ratings

## Appendix V. Statistical table

	2016	2017	2018	2019	2020	2021	2022	2023
<b>Budgetary Performance (EUR m)</b>								
Operating revenue	46,399	48,573	51,924	53,816	54,285	60,741	62,353	60,547
Operating expenditure	41,635	42,472	45,208	46,168	52,634	54,425	54,263	54,877
Operating balance	4,764	6,101	6,716	7,648	1,652	6,316	8,090	5,671
Net interest payments	1,457	1,384	1,394	1,230	1,168	1,568	1,191	1,084
Current balance	3,308	4,717	5,322	6,419	484	4,748	6,898	4,586
Capital balance	-3,121	-3,002	-2,818	-3,468	-5,268	-3,946	-4,071	-4,720
Balance before debt movement	187	1,715	2,504	2,951	-4,785	802	2,827	-134
<b>Debt (EUR m)</b>								
Direct debt	53,181	45,657	43,595	43,809	47,989	47,050	43,758	42,024
Guarantees	20,114	12,067	11,743	12,040	11,989	11,988	14,503	
Overall debt risk (direct debt plus guarantees)	73,295	57,724	55,338	55,849	59,978	59,038	58,261	42,024
<b>Financial ratios</b>								
Debt/operating revenue, %	114.6%	94.0%	84.0%	81.4%	88.4%	77.5%	70.2%	69.4%
Debt/operating balance, years	11.2	7.5	6.5	5.7	29.1	7.4	5.4	7.4
Interest payments/operating revenue, %	3.2%	2.9%	2.7%	2.3%	2.2%	2.6%	1.9%	1.8%
Implicit interest rate, %	2.7%	3.0%	3.2%	2.8%	2.4%	3.3%	2.7%	2.6%
Operating balance/operating revenue, %	10.3%	12.6%	12.9%	14.2%	3.0%	10.4%	13.0%	9.4%
Balance before debt movement/total revenue, %	0.4%	3.4%	4.7%	5.4%	-8.7%	1.3%	4.4%	-0.2%
Transfers and grants/operating revenue, %	18.4%	18.9%	18.4%	18.4%	27.6%	28.7%	23.0%	22.1%
Capital expenditure/total expenditure, %	9.2%	9.0%	8.3%	8.9%	10.2%	8.2%	9.4%	9.8%
GDP per capita, % of national GDP per capita	114.3%	114.5%	115.2%	113.4%	112.0%	111.6%	111.2%	111.5%

Source: Destatis, Statistische Ämter des Bundes und der Länder, Scope Ratings

## Lead Analysts

### Analyst

Eiko Sievert  
+49 69 6677389-79  
[e.sievert@scoperatings.com](mailto:e.sievert@scoperatings.com)

### Associate Analyst

Elena Klare  
+49 69 6677389-21  
[e.klare@scoperatings.com](mailto:e.klare@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus  
+49 69 6677389-85  
[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

## Related research

[Scope affirms and publishes the Land of NRW's AAA rating with Stable Outlook](#), 26 April 2024  
[Scope affirms and publishes the Land of Hesse's AAA rating with Stable Outlook](#), 19 April 2024  
[Scope has completed a monitoring review for the Federal Republic of Germany](#), 12 April 2024  
[Scope affirms the Free State of Bavaria's AAA rating with Stable Outlook](#), 23 February 2024  
[Scope affirms and publishes the Land of Saxony-Anhalt's AAA rating with Stable Outlook](#), 12 January 2024  
[European Sub-Sovereign Outlook 2024](#), 5 February 2024

## Applied methodologies

[Sub-Sovereign Rating Methodology](#), October 2023

## Scope Ratings GmbH

Lennéstraße 5  
D-10785 Berlin  
[scoperatings.com](https://www.scoperatings.com)

Phone: +44 20 7824 5180  
Fax: +49 30 27891-100  
[info@scoperatings.com](mailto:info@scoperatings.com)

**in**  
Bloomberg: RESP SCOP  
[Scope contacts](#)

## Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin.