

Federal Republic of Germany

This annex refers to the release of the monitoring note of 2 July 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aaa
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Weak
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Strong
	Debt sustainability	Strong
	Debt profile and market access	Strong
20%	Current account resilience	Strong
	External debt structure	Neutral
	Resilience to short-term shocks	Strong
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Strong
20%	Environmental risks	Weak
	Social risks	Neutral
	Institutional and political risks	Neutral
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		AAA STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020	2021E	2022F
GDP per capita (USD '000s), EOP	42.1	44.5	47.8	46.5	45.7	51.9	55.1
Real GDP, % change	2.2	2.6	1.3	0.6	-4.9	3.5	4.6
Unemployment rate, %	4.1	3.8	3.4	3.2	4.2	3.9	3.1
CPI, % change	0.4	1.7	1.9	1.4	0.4	2.2	1.1
Policy rate, %, EOP	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
General government balance, % of GDP	1.2	1.4	1.8	1.5	-4.2	-7.0	-2.7
General government debt, % of GDP, EOP	69.3	65.1	61.8	59.6	68.9	71.8	69.4
Current account balance, % of GDP	8.5	7.8	7.4	7.1	7.1	7.6	7.0

Source: Macrobond, IMF, ECB, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification ²	AE
5y USD CDS spread (bps) as of 2 July 2021	10

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Germany	July 2021	Assessment	Analytical rationale
Peers*	Austria, Denmark, Finland, Luxembourg, Netherlands, Norway, Sweden, Switzerland		
Domestic economic risk	Growth potential	Weak	Weak growth potential, reflecting large investment gap and structural challenges in key industries
	Monetary policy framework	Neutral	Appropriate central bank response to the 2020 global crisis; high central bank credibility
	Macro-economic stability & sustainability	Neutral	Competitive and diversified economy; but weaknesses in digitalisation and ageing-related labour market challenges
Public finance risk	Fiscal policy framework	Strong	Strong policy response to Covid-19 crisis; debt brake on federal and regional level contribute to retain large-scale fiscal space
	Debt sustainability	Strong	Moderate public debt with high resilience to adverse scenarios
	Debt profile & market access	Strong	Primary benchmark issuer in the euro area, reflected in decreasing interest payments despite higher debt
External economic risk	Current account resilience	Strong	Diversified and competitive export base; strong track record of current account surpluses
	External debt structure	Neutral	Moderate external debt
	Resilience to short-term shocks	Strong	Benefits from euro area membership, large external-creditor position
Financial stability risk	Banking sector performance	Neutral	Low profitability and unfavourable cost structure of the banking sector balanced by adequate capitalisation and moderate exposure risks to NFC debt
	Banking sector oversight	Neutral	Oversight under the National Supervisory Authority and the ECB as part of Banking Union
	Financial imbalances	Strong	Moderate household and private sector indebtedness; closely monitored systemic risks in the financial system
ESG risk	Environmental risks	Weak	Structural challenges related to transition risks in view of carbon neutrality targets amid economic importance of energy-intensive key industries
	Social risks	Neutral	Weak demographics in form of ageing workforce balanced by high social inclusion and improving labour force participation; rising inequality risks, reinforced by the Covid-19 crisis.
	Institutional and political risks	Neutral	High-quality institutions and stable political environment

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.