



27/03/2026 - Scope Ratings GmbH

## **Scope has completed a monitoring review for the Land of Hesse**

The periodic review has resulted in no rating action.

Scope Ratings GmbH (Scope) monitors and reviews its credit ratings on an ongoing basis and at least annually, or every six months in the cases of sovereigns, sub-sovereigns and supranational organisations that may act as a lender of last resort.

Scope performs monitoring reviews to determine whether material changes and/or changes in macro-economic 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 rating's 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 announces the result of each monitoring review on its website and/or on its subscription platform [ScopeOne](#).

Scope completed the monitoring review for the Land of Hesse (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 23 March 2026.

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 ratings history can be found on [scoperatings.com](https://scoperatings.com).

### **Key rating factors**

[For the latest rating report, please see here.](#)

The AAA/Stable rating is underpinned by Germany's highly integrated federal institutional framework for the Länder, which combines a comprehensive revenue equalisation system, the constitutional federal solidarity principle, and a demonstrated role of the federal government in absorbing major shocks, notably during the Covid-19 pandemic and Russia's war in Ukraine. Together, these institutional features materially strengthen the Länder's capacity to absorb

economic and financial shocks while anchoring their credit profiles closely to that of the German sovereign (AAA/Stable).

Scope expects the March 2025 amendments to the debt brake, which allow for an aggregate structural deficit of up to 0.35% of GDP, to modestly increase borrowing by some Länder over time as they make use of the additional fiscal flexibility. However, under Scope's baseline, sustained fiscal discipline and gradually strengthening revenues should allow debt burdens to stabilise over the medium term. Further, the EUR 100bn infrastructure programme is financed at the federal level and therefore supports public investment by Länder and their municipalities without adding to their debt levels.

Hesse's AAA/Stable rating further reflects the following individual credit strengths: i) solid budgetary performance and prudent financial management with a strong commitment to the Land's debt brake; ii) conservative debt and liquidity policies supported by excellent market access and a favourable debt profile; iii) limited contingent liabilities with a well-funded pension fund for its civil servants; and iv) above-average revenue flexibility.

The main rating challenge is limited expenditure flexibility, coupled with spending pressures which weigh on budgetary margins over the forecast horizon.

In 2026, Hesse will make use of the flexibilities within the debt brake and use the cyclical as well as structural components resulting in net borrowing of EUR 1.9bn. The state aims to strike a balance and consolidate public finances by reducing administrative expenditure over the

next years, while also launching a new investment programme ('Hessenplan') which targets EUR 10bn of investments over the next 12 years.

Hesse remains one of Germany's strongest federal states in terms of fiscal capacity, as reflected by its substantial net contribution to the national fiscal equalisation scheme (Länderfinanzausgleich), estimated at around EUR 4bn in 2025.

From a funding perspective, Hesse is planning a benchmark issuance volume of around EUR 8.5bn in 2026, broadly in line with recent years. Hesse also continues to integrate ESG considerations into its funding strategy, with green bond issuance on a biennial basis.

Near-term challenges include an expected legislative change in the remuneration of civil servants following the ruling of Hesse's Administrative Court in 2021 and recent rulings of the Constitutional Court for Berlin. This will likely form part of the regular pay negotiations that should conclude by the end of March and may lead to an increase in personnel costs.

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

**Downside scenarios** for the ratings and Outlooks are if (individually or collectively):

1. The German sovereign rating was downgraded;
2. Changes to the institutional framework were to result in notably weaker support; and/or

### 3. The individual credit profile deteriorated significantly and structurally.

The methodology applicable for the reviewed ratings and/or rating Outlooks (Sub-Sovereign Rating Methodology, 12 September 2025) is available on [scoperatings.com/governance-and-policies/rating-governance/methodologies](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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