

Land of Hesse

Rating report

The Land of Hesse's (Hesse) AAA rating is driven by:

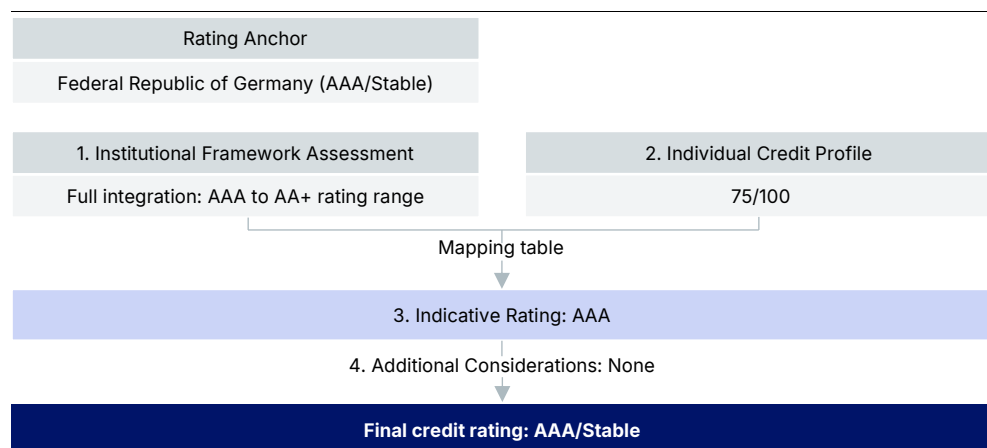
A highly integrated Institutional Framework characterised by a strong revenue equalisation system, where Hesse is a net payer among the Länder, and a strong federal solidarity principle. This results in a close alignment of the Länder's creditworthiness with the German federal government's [AAA/Stable](#) ratings.

Recent amendments to Germany's fiscal framework, including the easing of the debt brake, now allow the Länder to run a collective structural deficit of up to 0.35% of national GDP and access up to EUR 100bn in federally borrowed infrastructure funding, with Hesse's share amounting to around EUR 7.4bn. This increases fiscal flexibility but reflects a more expansionary fiscal stance. We expect operating margins across the Länder to remain below pre-pandemic levels due to higher personnel and administrative costs. However, the highly integrated fiscal framework and continued discipline should help stabilise debt ratios over the medium term, supported by gradually improving revenues.

An Individual Credit Profile, underpinned by i) conservative debt and liquidity policies, with excellent market access and a favourable debt profile; ii) solid budgetary performance and prudent fiscal management with a strong commitment to the Land's debt brake; iii) limited contingent liabilities and a well-funded, conservatively managed pension scheme for civil servants; and iv) above-average revenue flexibility.

Credit challenges relate to limited expenditure flexibility, coupled with rising spending pressures, which weigh on budgetary margins over the forecast horizon.

Figure 1: Hesse's rating drivers



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

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
- Highly integrated institutional framework - Conservative debt and liquidity policies, supported by excellent market access and a favourable debt profile - Solid budgetary performance and prudent fiscal management with a strong commitment to the debt brake - Limited contingent liabilities - Above-average revenue flexibility and net payer in the financial equalisation system	Limited expenditure flexibility, spending pressures

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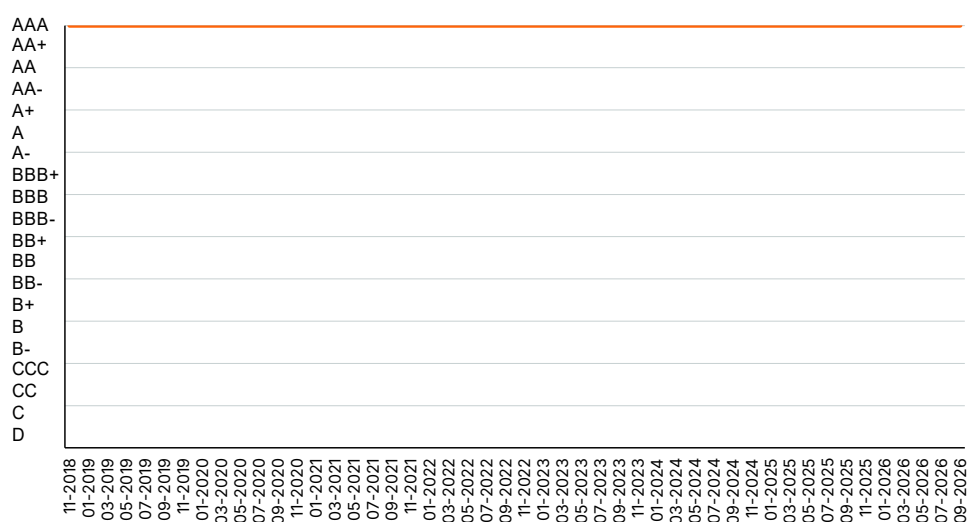
[Appendix 1. Scorecard Assessments](#)
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Outlook and rating triggers

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

Positive rating-change drivers	Negative rating-change drivers
N/A	- Downgrade of Germany's sovereign rating - Changes in the institutional framework, resulting in a notably weaker support - Significant and structural deterioration of the individual credit profile

Figure 2: Rating history¹



Source: Scope Ratings

¹ 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 1. Scorecard Assessments

Institutional Framework scorecard (QS1)

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

Integration score	92		
Downward rating range	0-1		

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

Individual Credit Profile (QS2)

Risk pillar	Analytical component	Assessment		
Debt and liquidity	Debt burden & trajectory	Stronger	Mid-range	Weaker
	Debt profile & affordability	Stronger	Mid-range	Weaker
	Liquidity position & funding flexibility	Stronger	Mid-range	Weaker
	Contingent liabilities	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 & economic resilience	Stronger	Mid-range	Weaker
ESG	Environmental factors	Stronger	Mid-range	Weaker
	Social factors	Stronger	Mid-range	Weaker
	Governance & transparency	Stronger	Mid-range	Weaker

ICP score	75
Indicative notching	0

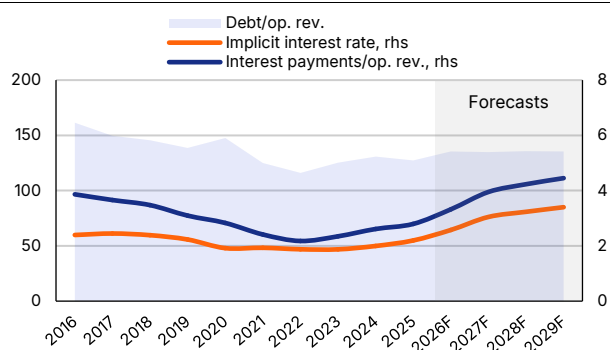
Mapping table: downward notching

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 6 of Scope's Sub-Sovereign Rating Methodology, as applied to the rating anchor's AAA-ratings.

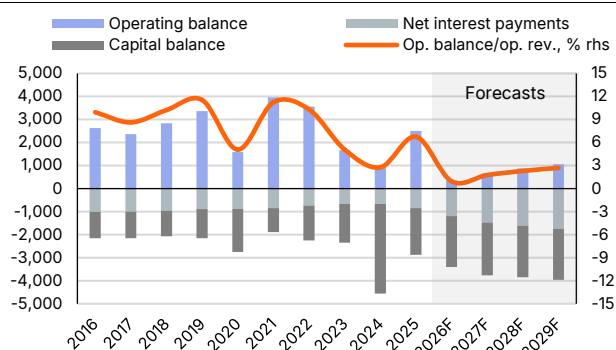
Appendix 2. Selected charts

Figure 3: Debt and interest burden, %



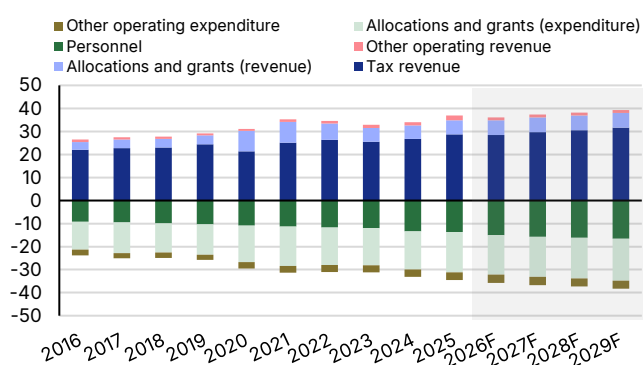
Sources: Destatis, Scope Ratings

Figure 4: Budgetary performance, EUR m (lhs), % (rhs)



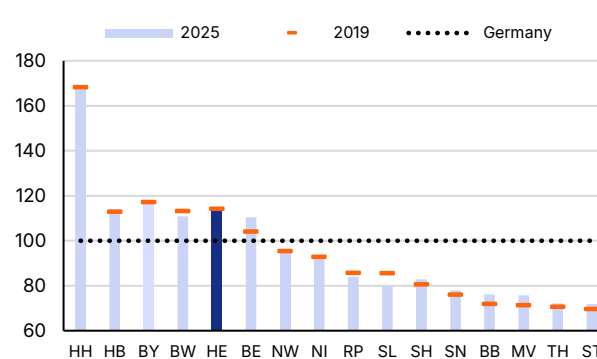
Sources: Destatis, Scope Ratings

Figure 5: Components of operating balance, EUR bn



Sources: Destatis, Scope Ratings

Figure 6: GDP per capita, % of national average



Sources: Destatis, Scope Ratings

Appendix 3. Statistical table

Historical budgetary and debt data are reported by Destatis to ensure comparability across Länder. From 2026, figures reflect Scope Ratings' estimates and forecasts and may differ from the Land's projections.

	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F
Budgetary performance (EUR m)									
Operating revenue	35,260	34,548	32,862	34,057	36,966	36,090	37,378	38,240	39,330
Operating revenue growth, %	13.4%	-2.0%	-4.9%	3.6%	8.5%	-2.4%	3.6%	2.3%	2.9%
Tax revenue	25,126	26,424	25,521	26,787	28,718	28,438	29,705	30,596	31,646
Allocations and grants	9,019	7,010	5,939	5,856	6,079	6,454	6,443	6,382	6,424
Other operating revenue	1,114	1,113	1,402	1,415	2,169	1,199	1,229	1,262	1,260
Operating expenditure	31,296	30,982	31,192	33,115	34,466	35,748	36,717	37,360	38,267
Operating expenditure growth, %	6.0%	-1.0%	0.7%	6.2%	4.1%	3.7%	2.7%	1.8%	2.4%
Personnel	11,288	11,700	12,003	13,338	13,668	15,061	15,713	16,189	16,648
Allocations and grants	17,057	16,288	16,130	16,626	17,458	17,125	17,421	17,606	18,084
Other operating expenditure	2,951	2,994	3,059	3,150	3,341	3,562	3,583	3,565	3,535
Operating balance	3,964	3,566	1,670	943	2,500	343	661	880	1,063
Interest received	3	10	111	224	191	60	60	60	60
Interest paid	851	752	771	889	1,033	1,260	1,537	1,678	1,811
Net interest paid	848	742	660	666	842	1,199	1,477	1,618	1,751
Current balance	3,116	2,824	1,010	277	1,658	-856	-816	-738	-688
Capital balance	-1,045	-1,508	-1,689	-3,890	-2,030	-2,197	-2,287	-2,231	-2,206
Balance before debt movement	2,071	1,316	-679	-3,613	-371	-3,054	-3,103	-2,969	-2,894
New borrowing (credit market)	2,716	2,625	4,150	9,760	5,673	6,946	7,697	7,016	5,854
Debt redemption (credit market)	5,191	7,749	7,666	7,424	6,613	5,091	6,157	5,561	4,484
Net debt movement	-2,475	-5,124	-3,516	2,336	-940	1,855	1,540	1,455	1,370
Debt (EUR m)									
Direct debt	44,054	40,070	41,136	44,544	47,046	48,901	50,441	51,896	53,266
Guarantees	1,750	1,698	1,663	1,655	1,459				
Overall debt risk (direct debt plus guarantees)	45,804	41,768	42,799	46,199	48,505				
Financial ratios									
Debt/operating revenue, %	124.9%	116.0%	125.2%	130.8%	127.3%	135.5%	135.0%	135.7%	135.4%
Interest payments/operating revenue, %	2.4%	2.2%	2.3%	2.6%	2.8%	3.3%	4.0%	4.2%	4.5%
Implicit interest rate, %	1.9%	1.9%	1.9%	2.0%	2.2%	2.6%	3.0%	3.2%	3.4%
Operating balance/operating revenue, %	11.2%	10.3%	5.1%	2.8%	6.8%	0.9%	1.8%	2.3%	2.7%
Balance before debt movement/total revenue, %	5.6%	3.7%	-2.0%	-10.3%	-1.0%	-8.1%	-8.0%	-7.5%	-7.1%
Transfers and grants/operating revenue, %	25.6%	20.3%	18.1%	17.2%	16.4%	17.9%	17.2%	16.7%	16.3%
Capital expenditure/total expenditure, %	7.2%	6.8%	8.0%	12.5%	8.3%	8.7%	8.9%	8.8%	8.6%
Economy and demographics									
Nominal GDP, EUR m	314,014	335,932	358,888	371,368	382,411				
GDP per capita, EUR	51,081	54,297	57,402	59,190	60,894				
GDP per capita, % of national GDP per capita	113.7%	112.3%	113.3%	114.2%	113.8%				
Real GDP growth, %	4.6%	2.3%	0.3%	0.4%	-0.2%				
Population, '000s	6,295.0	6,236.9	6,267.5	6,280.8	6,278.6				
Unemployment rate, % labour force	5.2%	4.8%	5.2%	5.5%	5.8%				

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

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