Land of North Rhine-Westphalia

Rating report

Rating rationale and Outlook

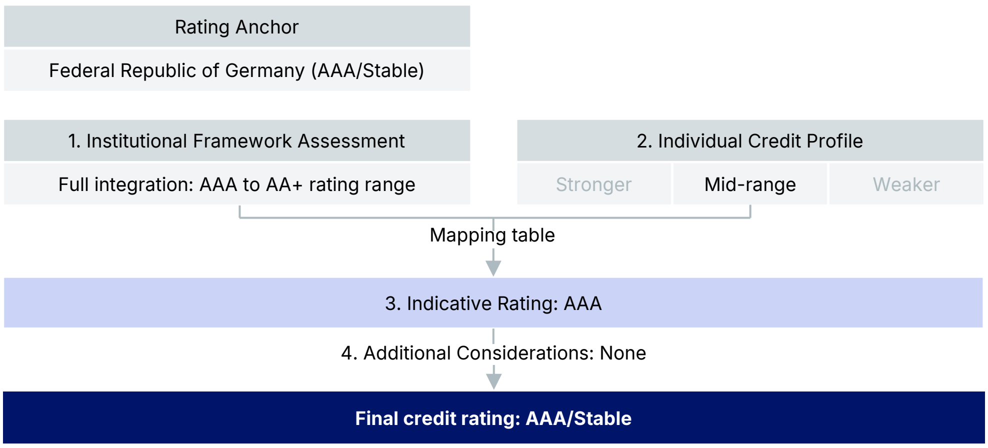
The Land of North Rhine-Westphalia's (NRW) AAA rating is driven by:

A highly integrated Institutional Framework characterised by a strong revenue equalisation system and the federal solidarity principle. This framework closely aligns the creditworthiness of the Länder with the German federal government's AAA/Stable ratings. Amendments to Germany's debt brake now allow Länder collectively to run a structural deficit of 0.35% of GDP and tap up to EUR 100bn in federal infrastructure funding. While this increases fiscal flexibility, it also reflects a shift towards a more expansionary stance. This is likely to lead to modestly higher borrowing by some Länder over time as they make use of the additional fiscal flexibility. However, under Scope's baseline, sustained fiscal discipline, prudent governance, and gradually strengthening revenues should allow debt burdens to stabilise over the medium term.

NRW's Individual Credit Profile (ICP) is underpinned by: i) an outstanding market access and strong funding flexibility as a European benchmark sub-sovereign debt issuer, supporting low funding costs; ii) very strong financial, liquidity and debt management with a favourable debt profile; iii) forward-looking management of pension liabilities through an established pension fund; and iv) solid economic fundamentals as Germany's largest regional economy, although exposure to energy-intensive industries that entails transition risks.

Credit challenges relate to: i) a relatively high debt burden; ii) moderate budgetary performance and limited fiscal flexibility, and constrained budgetary reserves, mitigated by strong financial management and adherence to the debt brake; and iii) exposure to contingent liability risks, including via its municipalities' short-term debt burden ('Kassenkredite').

Figure 1: NRW'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
• Integrated institutional framework • Outstanding capital market access and strong funding flexibility • Very strong liquidity and debt management, favourable debt profile • Forward-looking management of pension liabilities via an established pension fund • Largest subnational economy, solid economic fundamentals	• Relatively high debt levels • Moderate budgetary performance and limited fiscal flexibility • limited budgetary reserves, mitigated by strong financial management • Some exposure to contingent liabilities, structurally indebted municipalities

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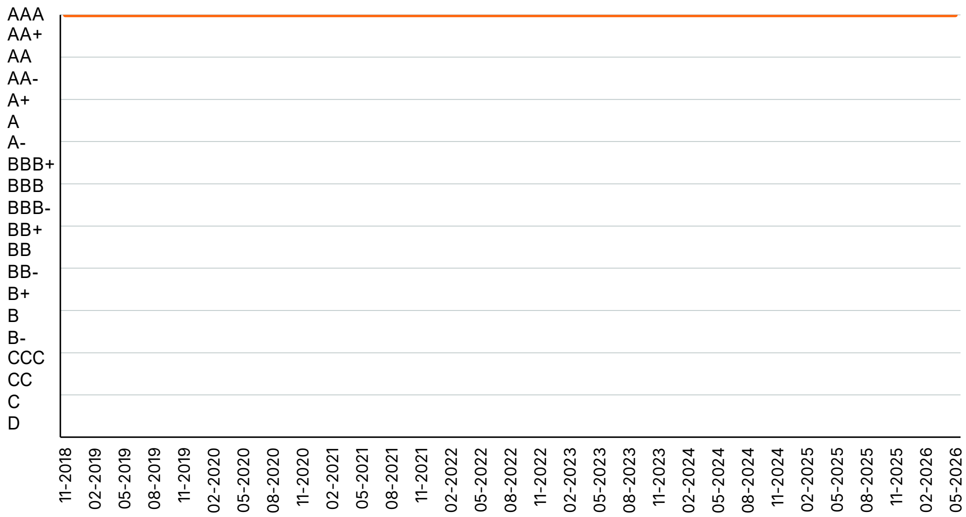
Outlook and rating triggers

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 • Deterioration of individual credit profile

Figure 2: Rating history[1]



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 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)
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

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
	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	55
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.

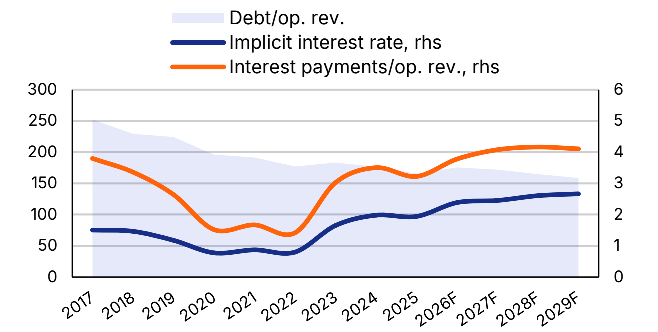
For NRW this results in an indicative rating aligned with the sovereign rating of AAA. No additional considerations apply.

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

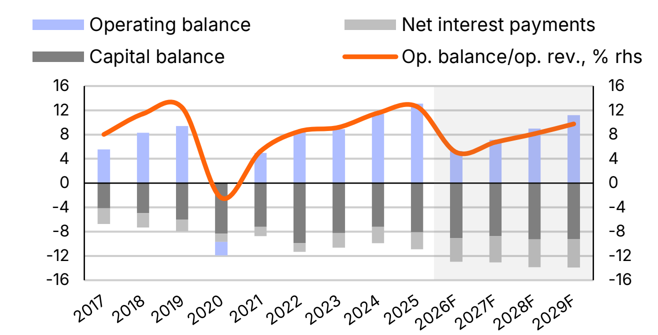
Appendix IV. Selected charts

Figure 3: Debt and interest burden, %



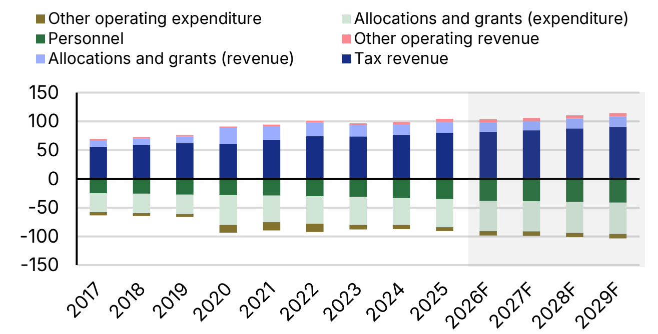
Sources: Destatis, Land of NRW, Scope Ratings

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



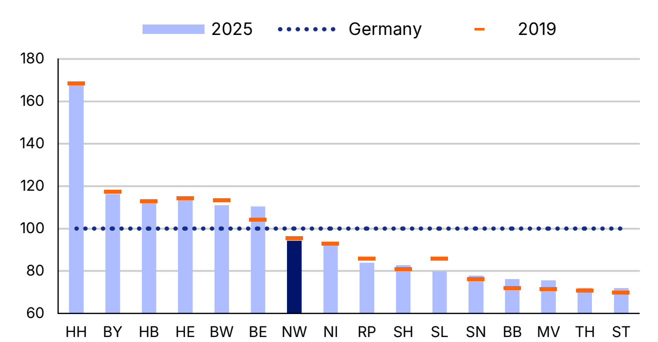
Sources: Destatis, Land of NRW, Scope Ratings

Figure 5: Components of operating balance, EUR bn



Sources: Destatis, Land of NRW, Scope Ratings

Figure 6: GDP per capita, % of national average



Sources: Destatis, Scope Ratings

Appendix V. Statistical table

From 2026, the table displays Scope Ratings' forecasts, which may deviate from the Land's projections.

	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F
Budgetary performance (EUR m)									
Operating revenue	94,442	101,024	96,698	98,711	104,082	103,745	106,075	110,595	114,592
Operating revenue growth, %	3.6%	7.0%	-4.3%	2.1%	5.4%	-0.3%	2.2%	4.3%	3.6%
Tax revenue	68,220	74,105	73,984	76,580	80,605	81,999	84,240	87,504	90,608
Allocations and grants	23,560	24,187	19,518	18,066	17,938	16,120	16,055	17,139	17,827
Other operating revenue	2,661	2,732	3,196	4,065	5,540	5,626	5,780	5,952	6,157
Operating expenditure	89,484	92,394	87,804	87,306	90,974	98,478	98,920	101,601	103,417
Operating expenditure growth, %	-4.1%	3.3%	-5.0%	-0.6%	4.2%	8.2%	0.4%	2.7%	1.8%
Personnel	28,998	30,386	31,534	33,613	35,474	38,278	38,852	40,100	41,381
Allocations and grants	46,102	47,737	48,493	46,614	48,501	52,500	52,368	53,801	54,336
Other operating expenditure	14,384	14,271	7,777	7,078	6,998	7,700	7,700	7,700	7,700
Operating balance	4,958	8,629	8,893	11,405	13,108	5,267	7,154	8,994	11,175
Interest received	8	25	464	743	518	200	150	150	150
Interest paid	1,576	1,432	2,925	3,458	3,354	4,120	4,475	4,755	4,855
Net interest paid	1,568	1,407	2,461	2,714	2,835	3,920	4,325	4,605	4,705
Current balance	3,390	7,222	6,432	8,691	10,273	1,347	2,829	4,389	6,470
Capital balance	-7,187	-9,905	-8,191	-7,207	-8,081	-9,065	-8,744	-9,275	-9,220
Balance before debt movement	-3,797	-2,683	-1,759	1,485	2,192	-7,718	-5,915	-4,886	-2,750
New borrowing (credit market)	20,533	18,245	14,398	10,051	11,678	14,419	10,448	11,077	6,632
Debt redemption (credit market)	15,834	14,013	13,543	13,051	13,718	10,110	10,386	11,446	7,001
Net borrowing (credit market)*	4,699	4,232	855	-3,000	-2,040	4,309	62	-369	-369
Debt (EUR m)									
Direct debt**	180,984	179,021	177,189	174,556	172,730	182,401	182,463	182,094	181,724
Guarantees	8,148	7,202	6,640	6,547	6,547	6,547	6,547	6,547	6,547
Overall debt risk (direct debt plus guarantees)	189,132	186,223	183,829	181,103	179,277	188,948	189,010	188,641	188,271
Financial ratios									
Debt/operating revenue, %	191.6%	177.2%	183.2%	176.8%	166.0%	175.8%	172.0%	164.6%	158.6%
Debt/operating balance, years*	36.5	20.7	19.9	15.3	13.2	34.6	25.5	20.2	16.3
Interest payments/operating revenue, %	1.7%	1.4%	3.0%	3.5%	3.2%	3.8%	4.1%	4.2%	4.1%
Implicit interest rate, %	0.9%	0.8%	1.7%	2.0%	1.9%	2.3%	2.5%	2.6%	2.7%
Operating balance/operating revenue, %	5.2%	8.5%	9.2%	11.6%	12.6%	5.1%	6.7%	8.1%	9.8%
Balance before debt movement/total revenue, %	-3.9%	-2.6%	-1.8%	1.4%	2.1%	-7.2%	-5.4%	-4.3%	-2.3%
Transfers and grants/operating revenue, %	24.9%	23.9%	20.2%	18.3%	17.2%	15.5%	15.1%	15.5%	15.6%
Capital expenditure/total expenditure, %	9.1%	11.7%	10.6%	10.2%	9.9%	11.0%	10.4%	10.5%	10.5%
Economy and demographics									
Nominal GDP, EUR m	760,078	813,532	858,785	879,843	909,411				
GDP per capita, EUR	42,791	45,563	47,734	48,810	50,470				
GDP per capita, % of national GDP per capita	95.3%	94.3%	94.2%	94.2%	94.3%				
Real GDP growth, %	3.1%	0.4%	-1.4%	-0.5%	0.3%				
Population, '000s	17,925	17,964	18,018	18,034					
Unemployment rate, % labour force	7.3%	6.8%	7.2%	7.5%	7.8%				

* Excluding *Altschulden* taken over but not refinanced in 2026. ** Including all *Altschulden* taken over.
Source: Land of NRW, Destatis, Statistische Ämter des Bundes und der Länder, Scope Ratings.

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Related research

Scope has completed a monitoring review for the Land of Hesse, 27 March 2026
Scope affirms the Land of Baden-Württemberg's AAA rating with Stable Outlook, 20 March 2026
Scope has completed a monitoring review for the Federal Republic of Germany, 6 March 2026
German Länder: debt brake reform may shift fiscal norms, but near-term borrowing remains contained, 26 February 2026
Scope has completed a monitoring review for the Land of North Rhine-Westphalia, 20 February 2026
Scope has completed a monitoring review for the Land of Berlin, 6 February 2026
European sub-sovereign outlook: risks remain balanced overall despite diverging credit trajectories, 5 February 2026
Scope has completed a monitoring review for the Free State of Bavaria, 23 January 2026
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Germany: ambitious 2025-26 spending plans likely delayed, weighing on near-term growth, 25 September 2025
Scope has completed a monitoring review for the Land of North Rhine-Westphalia, 19 September 2025
Scope affirms Germany's AAA rating with Stable Outlook, 12 September 2025
Scope affirms Berlin's AAA rating with Stable Outlook, 8 August 2025
Scope affirms the Free State of Bavaria's AAA rating with Stable Outlook, 25 July 2025
Germany: Successful implementation of infrastructure investment key to growth, fiscal sustainability, 14 July 2025
Scope affirms NRW's AAA rating with Stable Outlook, 11 April 2025

Applied methodologies

Sub-Sovereign Rating Methodology, September 2025

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