

# Netherlands

## Rating Report



# AAA

**STABLE  
OUTLOOK**

### Credit strengths

- Wealthy, diversified and internationally-competitive economy
- Moderate public debt
- Strong external position
- Resilient banking system

### Credit challenges

- Sensitivity to global developments
- High private-sector indebtedness
- Labour-market duality, with a high share of part-time employment

### Rating rationale:

**Wealthy and competitive economy:** The Netherlands' rating is supported by its wealthy, highly-diversified and competitive economy, with key comparative advantages such as an exceptionally favourable business environment and highly-educated workforce. We project real growth dropping to 0.3% this year, before 0.4% growth in 2024. Moderate medium-run growth potential of 1.4% is in line with that of similarly-rated sovereign peers' economies.

**Moderate public debt:** The general government debt-to-GDP ratio declined last year to 50.1% and is seen falling further to 47.2% this year, before edging back up – concluding a forecast horizon to 2028 around 49.2%. This is nevertheless a meaningfully improved debt trajectory, compared with that forecast as of our last rating review for Netherlands.

**Strong external sector:** The country's external-sector resilience is underpinned by high and recurrent current-account surpluses and a strong net international asset position.

**Resilient banking system:** The Dutch banking system has proven resilient to multiple economic crises. Capitalisation, asset quality and profitability are sound and in line with that of peer-economy banking systems.

**Rating challenges include:** i) sensitivity of the economy to global downturns and financial-market crises due to a highly-open economy; ii) financial-stability risk given elevated housing prices and high private-sector debt; and iii) labour-market dualities.

### Netherlands' sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Qualitative**	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	aaa	EUR [+1]	0	AAA	
Public Finance Risk	20%	aa+		0		
External Economic Risk	10%	aaa		0		
Financial Stability Risk	10%	aaa		0		
ESG Risk	Environmental Factors	5%		bbb-		0
	Social Factors	7.5%		bb		0
	Governance Factors	12.5%		aaa		0
<b>Indicative outcome</b>	<b>aaa</b>		<b>0</b>			
<b>Additional considerations</b>			<b>0</b>			

Note: \*The reserve-currency adjustment applies to currencies in the IMF's SDR basket. \*\*The qualitative-scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

### Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced over the next 12-18 months.

### Positive rating-change drivers

- n/a

### Negative rating-change drivers

- The fiscal outlook deteriorates, including elevated fiscal deficits and an increasing public debt trajectory over the long run
- A global or regional shock results in a significant drop in output and/or accentuated risks to financial stability

### Ratings and Outlook

#### Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

#### Local currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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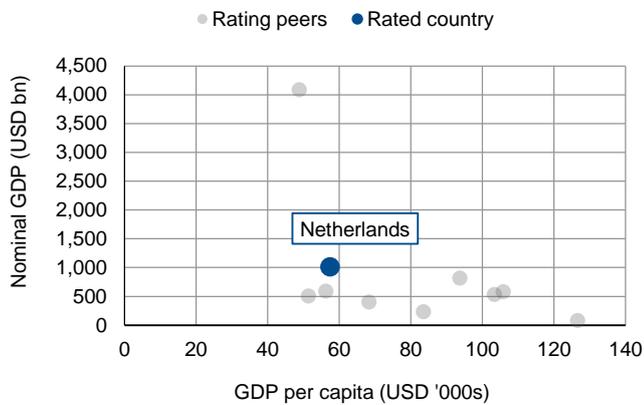
Bloomberg: RESP SCOP

### Domestic Economic Risk

Overview of Scope's qualitative assessments for Netherlands' *Domestic Economic Risk*

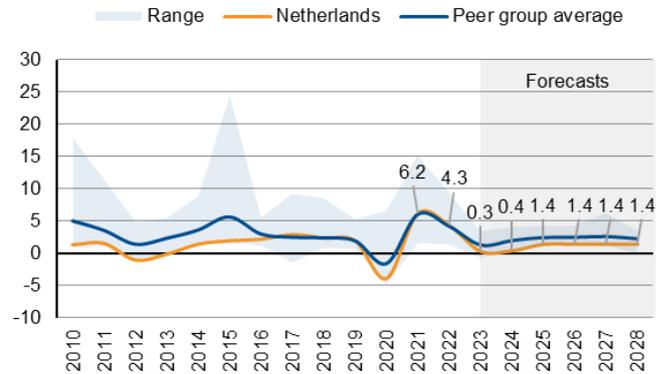
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential of the economy	Neutral	0	Slowdown in growth; moderate growth potential
	Monetary policy framework	Neutral	0	ECB is a credible and effective central bank, but high euro-area inflation tests price stability and curtails monetary space for manoeuvre
	Macro-economic stability and sustainability	Neutral	0	Competitive and diversified economy; flexible labour market although dualities exist; exposure to global developments due to an open economy

#### Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

#### Real GDP growth, %



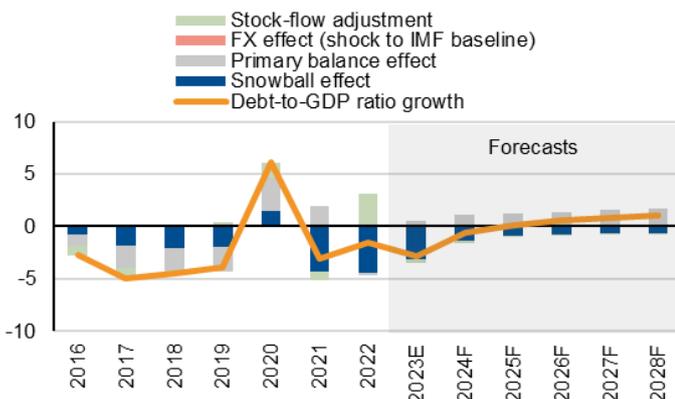
Source: IMF WEO, Scope Ratings forecasts

### Public Finance Risk

Overview of Scope's qualitative assessments for Netherlands' *Public Finance Risk*

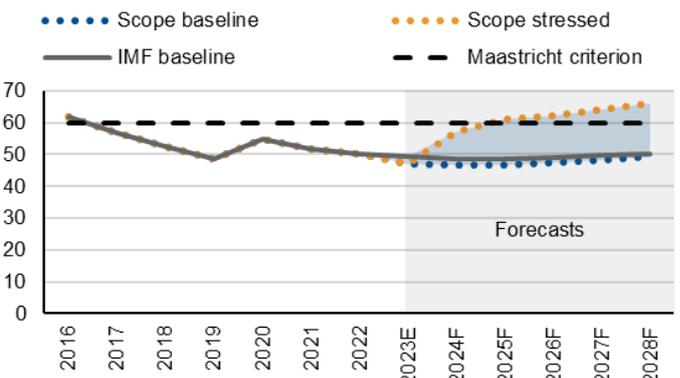
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Fiscal policy framework	Neutral	0	Strong national fiscal framework, in line with that of sovereign peers
	Debt sustainability	Neutral	0	Moderate public-debt ratio including resilience of debt sustainability under adverse economic scenarios
	Debt profile and market access	Neutral	0	Strong government market access; government financing costs have risen to decade highs

#### Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

#### Debt-to-GDP forecasts, % of GDP



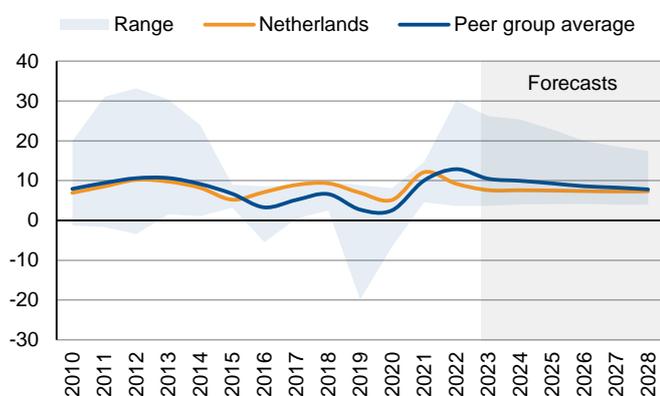
Source: IMF WEO, Scope Ratings forecasts

### External Economic Risk

#### Overview of Scope's qualitative assessments for Netherlands' External Economic Risk

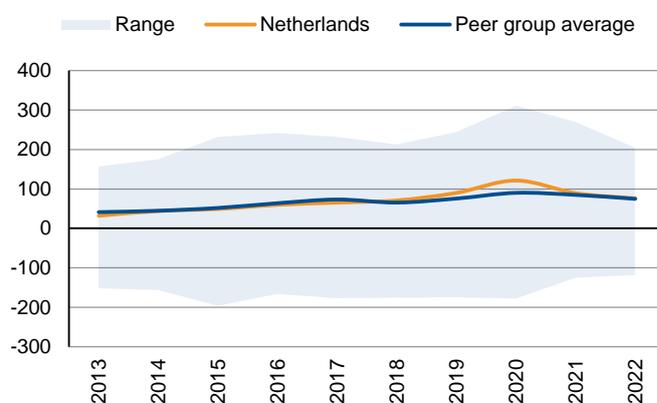
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Diversified and competitive exporting sector; recurrent and large current-account surpluses also driven by the high net savings of multinationals benefitting from favourable tax treatment
	External debt structure	Neutral	0	Still-elevated external debt and elevated share of short-term external debt, mitigated partially by a favourable composition including large intragroup borrowings plus a sizeable net external asset position
	Resilience to short-term external shocks	Neutral	0	Highly open economy; benefits from euro-area membership

#### Current-account balance, % of GDP



Source: IMF WEO, Scope Ratings

#### Net international investment position (NIIP), % of GDP



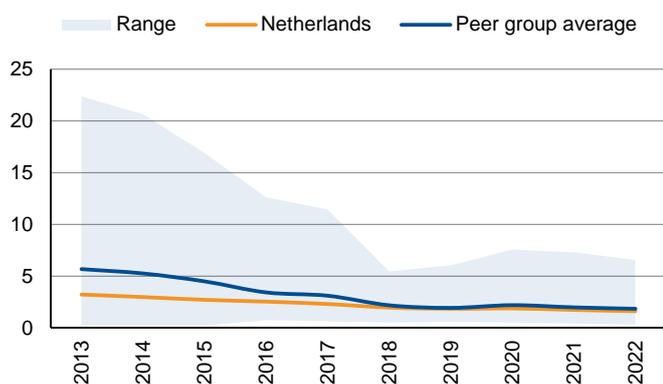
Source: IMF, Scope Ratings

### Financial Stability Risk

#### Overview of Scope's qualitative assessments for Netherlands' Financial Stability Risk

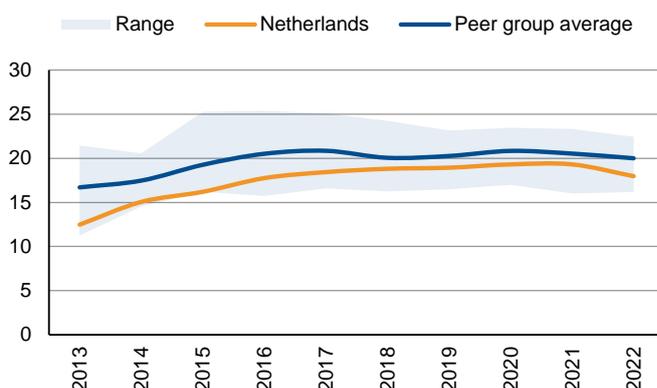
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Adequate capitalisation, comfortable liquidity, higher NPLs than peer banking systems
	Banking sector oversight	Neutral	0	Effective oversight under De Nederlandsche Bank and the ECB as part of Banking Union
	Financial imbalances	Neutral	0	High household and private-sector indebtedness counterbalanced by savings via housing assets; significant housing-market risk

#### Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

#### Tier 1 capital, % of risk-weighted assets



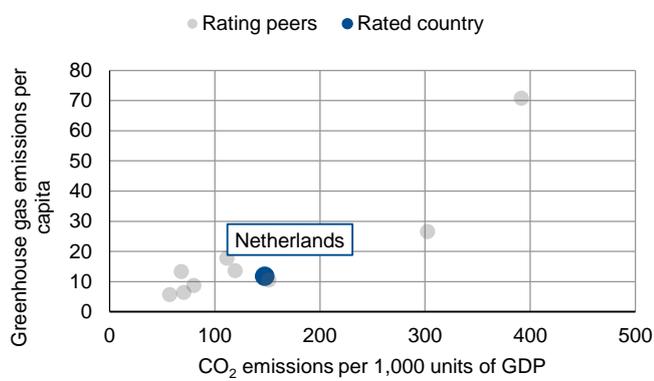
Source: IMF, Scope Ratings

### Environmental, Social and Governance (ESG) Risk

#### Overview of Scope's qualitative assessments for Netherlands' ESG Risk

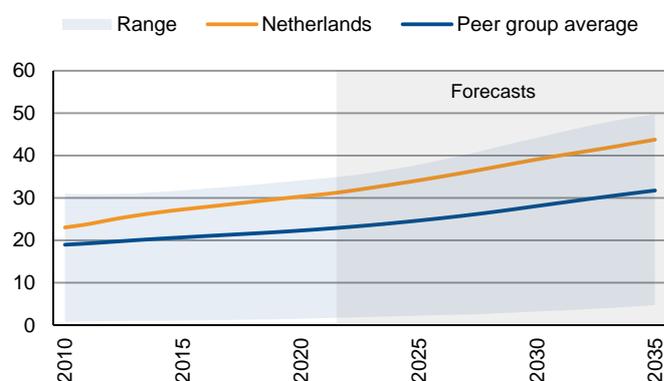
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Neutral	0	High nitrogen emissions, low share of renewables, high CO <sub>2</sub> emissions per capita, natural-disaster risk
	Social factors	Neutral	0	Weak demographics but strong social safety net; high employment and strong education system
	Governance factors	Neutral	0	High-quality institutions but fragmented political landscape; policy uncertainty given forthcoming elections

CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e



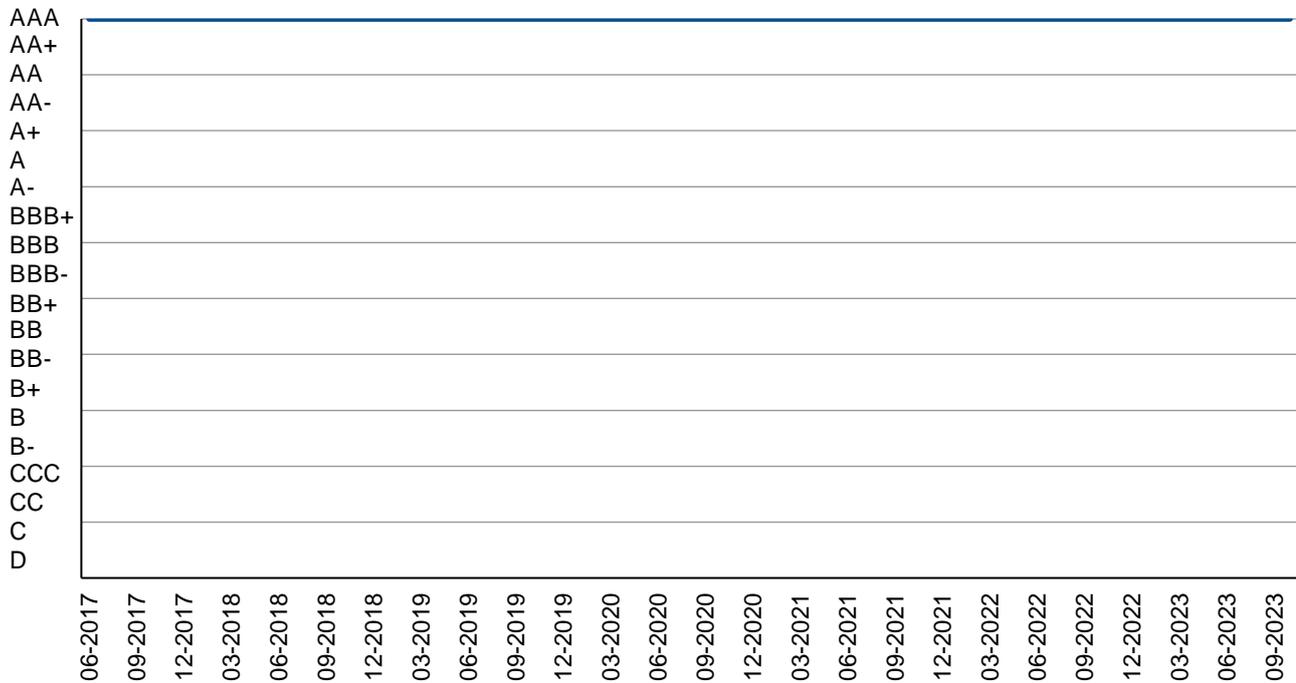
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

### Appendix I. Rating history (foreign-currency long-term issuer rating)



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

### Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
Denmark
Germany
Ireland
Luxembourg
Norway
Sweden
Switzerland

Publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

### Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	12.5	12.9	13.0	14.9	15.9
	Nominal GDP, USD bn	IMF	243.5	251.0	251.7	285.6	301.8
	Real growth, %	IMF	6.0	3.8	-3.7	5.9	4.8
	CPI inflation, %	IMF	4.6	3.8	2.6	5.0	13.8
	Unemployment rate, %	WB	4.2	3.9	5.0	5.6	5.4
Public Finance	Public debt, % of GDP	IMF	36.2	36.6	49.4	51.1	48.7
	Net interest payment, % of revenue	IMF	4.6	3.9	4.6	4.8	6.5
	Primary balance, % of GDP	IMF	-1.4	-3.4	-8.3	-5.3	-3.8
External Economic	Current-account balance, % of GDP	IMF	-4.6	-4.9	-4.9	-7.2	-9.3
	Total reserves, months of imports	WB	4.2	4.1	5.5	4.3	4.0
	NIIP, % of GDP	IMF	-42.0	-43.2	-50.8	-44.8	-41.3
Financial Stability	NPL ratio, % of total loans	IMF	5.0	4.1	3.8	3.4	-
	Tier 1 ratio, % of risk-weighted assets	IMF	17.9	17.9	18.5	22.7	19.0
	Credit to the private sector, % of GDP	WB	25.5	24.6	25.8	26.5	24.7
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	147.8	139.0	131.2	133.5	-
	Income share of bottom 50%, %	WID	15.2	15.4	15.4	15.4	-
	Labour-force participation rate, %	WB	67.9	68.8	68.9	65.2	-
	Old-age dependency ratio, %	UN	27.2	27.9	28.6	29.1	28.5
	Composite governance indicators*	WB	0.2	0.3	0.3	0.3	-

\* Average of the six World Bank Worldwide Governance Indicators.

### Appendix IV. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 2 November 2023

14.8



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