

# Kingdom of Belgium

## Rating report

### Rating rationale

**Wealthy, competitive, and diversified economy:** Belgium benefits from its wealthy, competitive and highly diversified economy, supported by high value-added sectors. This underpins resilience to shocks and shields Belgium’s open economy from adverse external developments.

**Favourable debt profile and strong market access:** Debt affordability of Belgium’s government is anchored by a resilient debt profile, including a long average maturity, a favourable refinancing profile and limited exposure to interest rate and foreign currency risk. A robust debt profile combined with strong market access partially mitigate risks stemming from high public debt and gradually rising net interest payments.

**Sound external position:** A robust creditor position, a diversified geographic export base across Europe and competitive exporting industries largely offset external risks. Euro-area membership further mitigates external risks.

**Rating challenges:** i) high and rising public debt given wide budget deficits amid uncertainties about fiscal consolidation plans and structural spending pressures; ii) persistent governance challenges, including institutional rigidities and high political fragmentation and polarisation at the federal and regional levels; and iii) structural economic challenges given slowing productivity growth and labour market bottlenecks.

### Foreign currency

Long-term issuer rating/Outlook

**AA-/Negative**

Senior unsecured debt

**AA-/Negative**

Short-term issuer rating/Outlook

**S-1+/Stable**

### Local currency

Long-term issuer rating/Outlook

**AA-/Negative**

Senior unsecured debt

**AA-/Negative**

Short-term issuer rating/Outlook

**S-1+/Stable**

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Figure 1: Belgium’s sovereign-rating drivers

| Risk pillars                        | Quantitative          |                   | Reserve currency* | Political risk** | Qualitative*** | Final rating |      |
|-------------------------------------|-----------------------|-------------------|-------------------|------------------|----------------|--------------|------|
|                                     | Weight                | Indicative rating | Notches           | Notches          | Notches        |              |      |
| Domestic economic risk              | 35%                   | aaa               | EUR<br>[+1]       | Belgium<br>[-0]  | 0              | AA-          |      |
| Public finance risk                 | 20%                   | bb+               |                   |                  | 0              |              |      |
| External economic risk              | 10%                   | a                 |                   |                  | 1/3            |              |      |
| Financial stability risk            | 10%                   | aaa               |                   |                  | 1/3            |              |      |
| ESG risk                            | Environmental factors | 5%                |                   |                  | bbb-           |              | 0    |
|                                     | Social factors        | 7.5%              |                   |                  | b+             |              | 0    |
|                                     | Governance factors    | 12.5%             |                   |                  | aaa            |              | -1/3 |
| <b>Sovereign Quantitative Model</b> | <b>aa-</b>            |                   |                   | <b>0</b>         |                |              |      |
| <b>Additional considerations</b>    |                       |                   |                   | <b>0</b>         |                |              |      |

\*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.

\*\*The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.

\*\*\*The qualitative scorecard analyst 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.

## Credit strengths and challenges

### Credit strengths

- Wealthy, competitive, and diversified economy
- Favourable debt profile and strong market access
- Strong external position

### Credit challenges

- High and rising public debt; wide budget deficits amid structural spending pressures
- Institutional rigidities and political fragmentation
- Slow productivity growth and labour market rigidities

## Outlook and rating triggers

The Negative Outlook reflects Scope’s view that risks to the ratings are tilted to the downside.

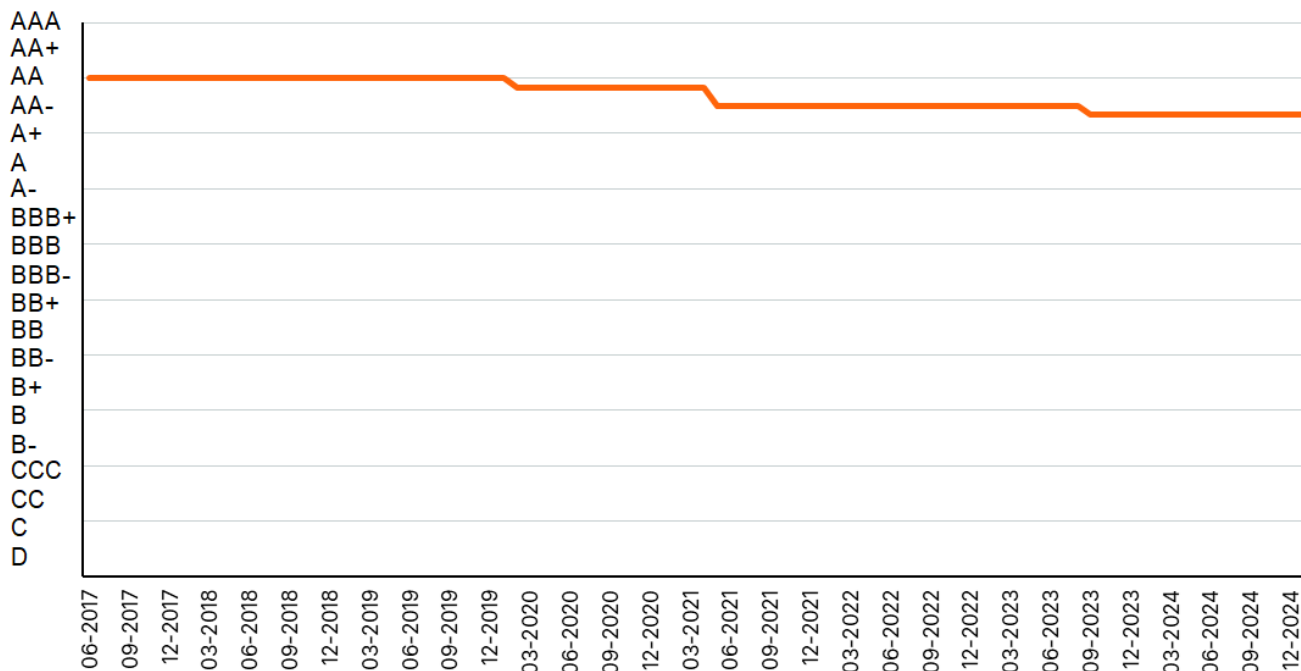
### Positive rating-change drivers

- Fiscal consolidation stabilises public debt-to-GDP ratio
- Structural reforms raise the medium-term growth outlook

### Negative rating-change drivers

- Weaker fiscal outlook, resulting in a sustained increase of the public debt-to-GDP ratio
- Weaker growth outlook
- Political instability worsened, further weighing on governance and the government’s capacity to implement credit-enhancing reforms

Figure 2: Rating history



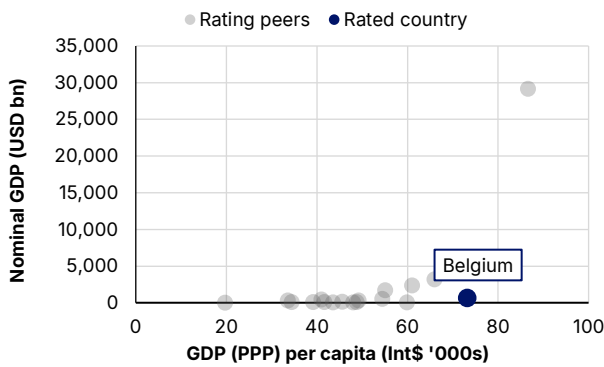
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

### Overview of Scope's assessments of Belgium's Domestic Economic Risk

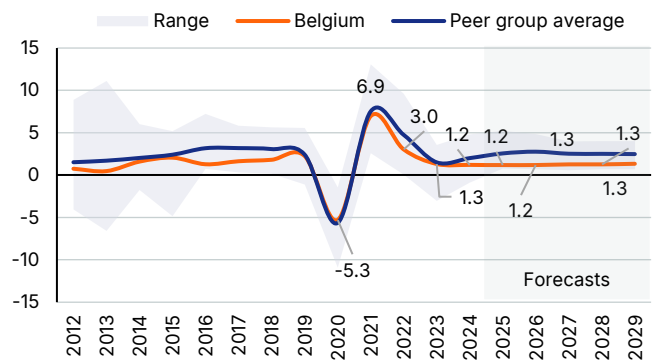
| SQM <sup>1</sup> indicative rating | Analytical component                       | Assessment | Notch adjustment | Rationale   |
|------------------------------------|--|------------|------------------|---|
| aaa                                | Growth potential and outlook               | Weak       | -1/3             | Low and declining growth potential in the long run poses policy challenges                                      |
|                                    | Monetary policy framework                  | Neutral    | 0                | ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle |
|                                    | Macroeconomic stability and sustainability | Strong     | +1/3             | Diversified, high-value added economy supports economic resilience  |

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



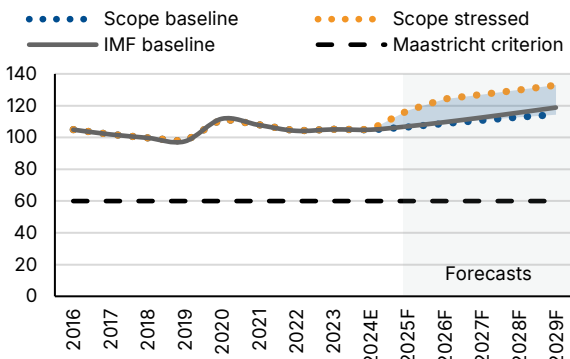
Source: IMF WEO, Scope Ratings forecasts

## Public finance risk

### Overview of Scope's assessments of Belgium's Public Finance Risk

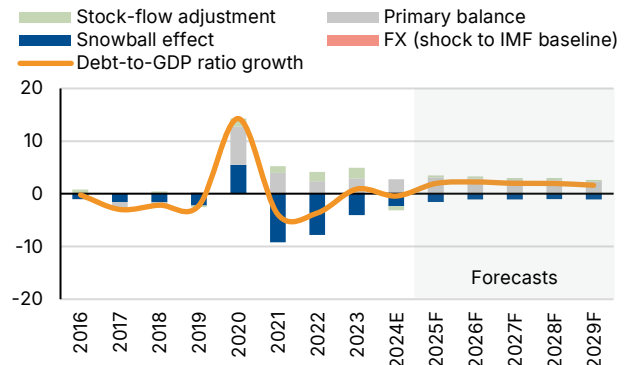
| SQM indicative rating | Analytical component           | Assessment | Notch adjustment | Rationale   |
|-----------------------|--------------------------------|------------|------------------|---|
| bb+                   | Fiscal policy framework        | Neutral    | 0                | High fiscal deficits; budgeting process challenged by coordination across different government levels |
|                       | Long-term debt trajectory      | Weak       | -1/3             | High and increasing public-debt levels, set to remain on an upward trajectory                         |
|                       | Debt profile and market access | Strong     | +1/3             | Moderate interest-payment burden, high average debt maturity, strong market access                    |

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

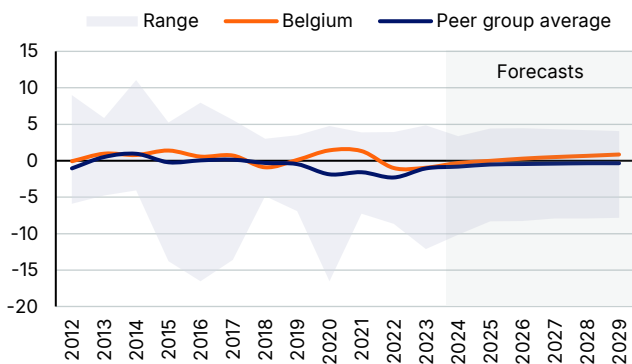
<sup>1</sup> Sovereign Quantitative Model

## External economic risk

### Overview of Scope's assessments of Belgium's External Economic Risk

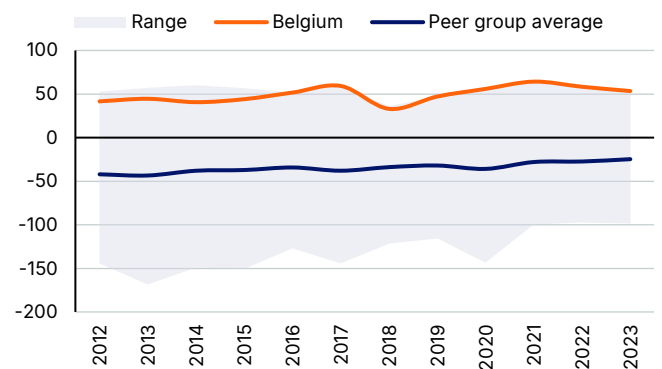
| SQM indicative rating | Analytical component                     | Assessment | Notch adjustment | Rationale  |
|-----------------------|--|------------|------------------|--|
| a                     | Current account resilience               | Neutral    | 0                | Moderate current-account deficits reflecting near-term competitiveness challenges; diversified export base |
|                       | External debt structure                  | Neutral    | 0                | Comfortable positive net international investment position; debt structure in line with peers              |
|                       | Resilience to short-term external shocks | Strong     | +1/3             | Euro-area membership and solid external buffers shield against short-term external risks                   |

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



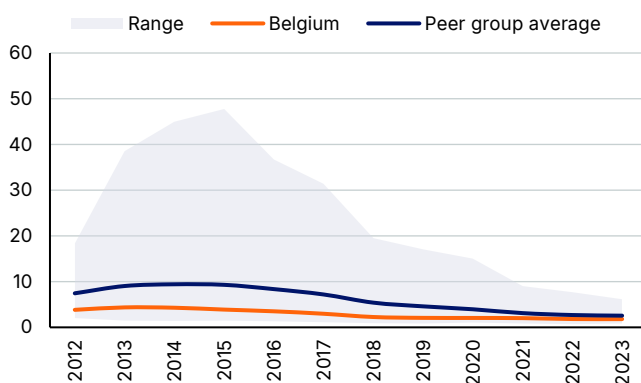
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of Belgium's Financial Stability Risk

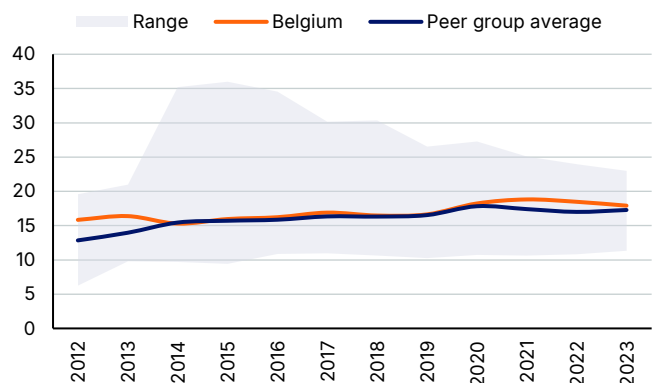
| SQM indicative rating | Analytical component                      | Assessment | Notch adjustment | Rationale  |
|-----------------------|---|------------|------------------|--|
| aaa                   | Banking sector performance                | Strong     | +1/3             | Strong capitalisation, asset quality and liquidity buffers; improvements in profitability supported by higher interest rates |
|                       | Financial sector oversight and governance | Neutral    | 0                | Robust oversight under the National Bank of Belgium and the ECB as part of Banking Union                                     |
|                       | Financial imbalances                      | Neutral    | 0                | Elevated private debt levels and persistent housing market vulnerabilities; high household financial wealth                  |

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



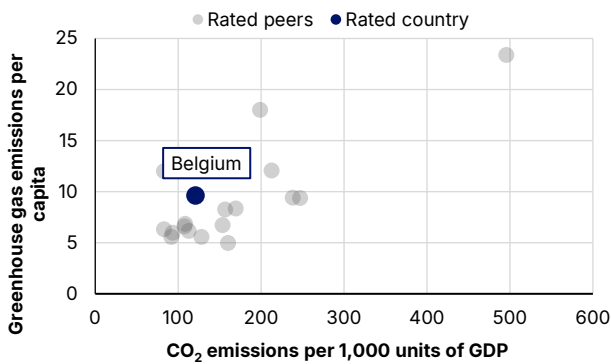
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Belgium's ESG Risk

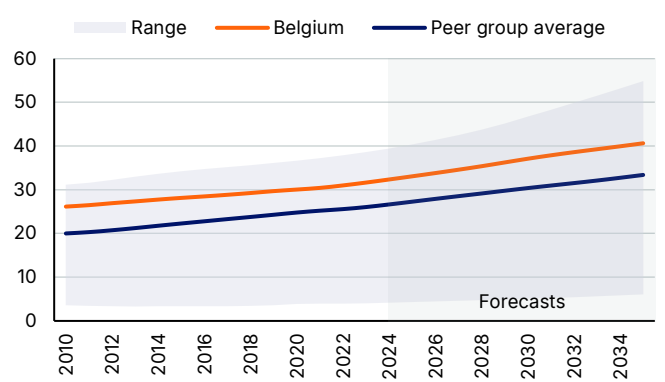
| SQM indicative rating | Analytical component  | Assessment | Notch adjustment | Rationale   |
|-----------------------|-----------------------|------------|------------------|---|
| a                     | Environmental factors | Neutral    | 0                | High reliance on fossil fuel imports, slow progress towards climate neutrality objectives, meaningful transition risks                        |
|                       | Social factors        | Neutral    | 0                | Strong social safety nets; skills mismatches and persistent regional inequalities; weak demographic trends                                    |
|                       | Governance factors    | Weak       | -1/3             | Political fragmentation and polarisation constrain effective policymaking; uncertain policy outlook amid ongoing government formation process |

Figure 11: CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

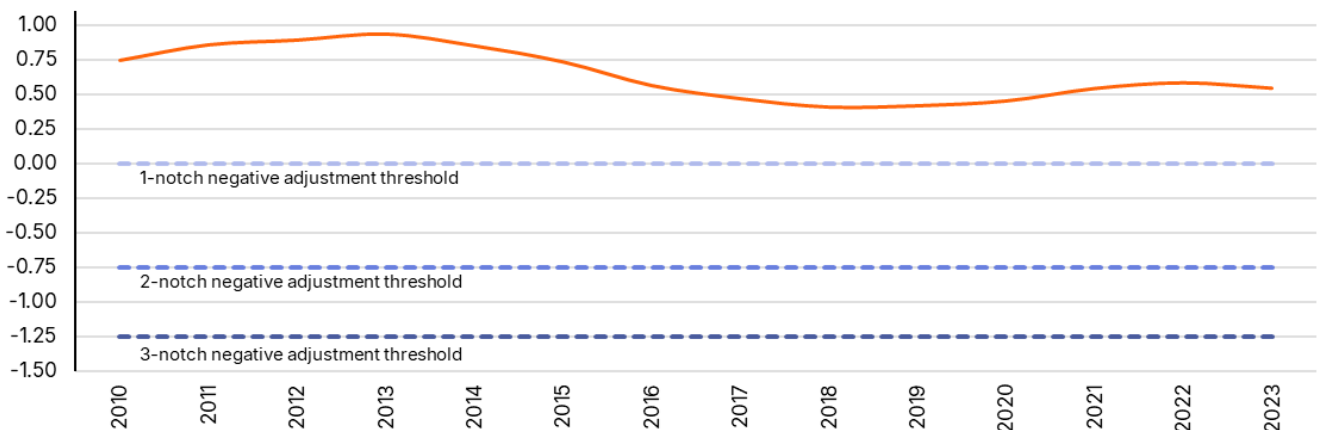
### IMF SDR basket and Scope reserve-currency adjustment

| Currency                     | U.S. dollar | Euro | Chinese yuan | Japanese yen | Pound sterling | Other |
|------------------------------|-------------|------|--------------|--------------|----------------|-------|
| IMF SDR basket weights, %    | 43.4        | 29.3 | 12.3         | 7.6          | 7.4            | 0.0   |
| Positive adjustment, notches | 3           | 1    | 1            | 1            | 1              | 0     |

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Belgium, 3-year moving average



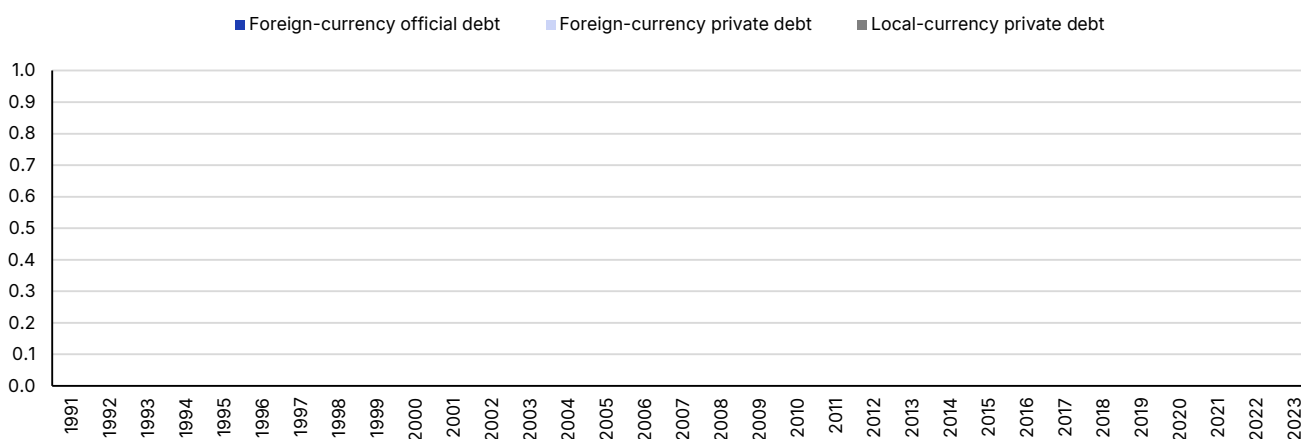
Source: WB, Scope Ratings

### Additional considerations

No adjustment was applied to the rating from additional considerations.

## Appendix 1. Sovereign default history

### Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).  
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

## Appendix 2. 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 sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

| Peer group* |
|-------------|
| Austria     |
| Finland     |
| France      |
| Portugal    |
| Spain       |

\*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

## Appendix 3. Economic development and default indicators

|  |                  |
|--|------------------|
| IMF Development Classification               | Advanced economy |
| 5y USD CDS spread (bp) as of 22 January 2025 | 24.84            |

#### Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, 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  | 2023  | 2024  |
|---------------------|---|--------|-------|-------|-------|-------|-------|-------|-------|
| Domestic Economic   | <b>GDP per capita (PPP), Int\$ '000s</b>                      | IMF    | 52.7  | 56.8  | 55.8  | 62.3  | 68.4  | 71.0  | 73.2  |
|                     | <b>Nominal GDP, USD bn</b>                                    | IMF    | 543.5 | 535.9 | 525.6 | 601.3 | 584.1 | 632.4 | 662.2 |
|                     | <b>Real growth, %</b>   | IMF    | 1.8   | 2.2   | -5.3  | 6.9   | 3.0   | 1.3   | 1.1   |
|                     | <b>CPI inflation, %</b>                                       | IMF    | 2.3   | 1.2   | 0.4   | 3.2   | 10.3  | 2.3   | 4.3   |
|                     | <b>Unemployment rate, %</b>                                   | WB     | 5.9   | 5.4   | 5.6   | 6.3   | 5.6   | 5.5   | -     |
| Public Finance      | <b>Public debt, % of GDP</b>                                  | IMF    | 99.9  | 97.6  | 111.9 | 107.9 | 104.3 | 105.2 | 105.0 |
|                     | <b>Net interest payment, % of government revenue</b>          | IMF    | 3.6   | 3.4   | 3.4   | 2.9   | 2.6   | 3.0   | 3.4   |
|                     | <b>Primary balance, % of GDP</b>                              | IMF    | 1.0   | -0.3  | -7.3  | -4.0  | -2.3  | -2.9  | -2.9  |
| External Economic   | <b>Current-account balance, % of GDP</b>                      | IMF    | -0.9  | 0.1   | 1.4   | 1.3   | -1.0  | -1.0  | -0.3  |
|                     | <b>Total reserves, months of imports</b>                      | WB     | 0.6   | 0.7   | 0.9   | 0.9   | 0.8   | 0.8   | -     |
|                     | <b>NIIP, % of GDP</b>   | IMF    | 33.2  | 47.4  | 56.2  | 64.5  | 58.6  | -     | -     |
| Financial Stability | <b>NPL ratio, % of total loans</b>                            | IMF    | 2.3   | 2.1   | 2.1   | 2.0   | 1.8   | 1.8   | -     |
|                     | <b>Tier 1 ratio, % of risk-weighted assets</b>                | IMF    | 16.4  | 16.0  | 16.5  | 18.1  | 17.9  | 18.1  | 17.1  |
|                     | <b>Credit to the private sector, % of GDP</b>                 | WB     | 68.1  | 69.5  | 76.7  | 74.5  | 73.5  | 71.4  | -     |
| ESG                 | <b>CO<sub>2</sub> per EUR 1,000 of GDP, mtCO<sub>2</sub>e</b> | EC     | 144.0 | 140.5 | 137.1 | 133.7 | 121.0 | 112.2 | -     |
|                     | <b>Income share of bottom 50%, %</b>                          | WID    | 20.6  | 20.3  | 21.7  | 22.8  | 22.8  | -     | -     |
|                     | <b>Labour-force participation rate, %</b>                     | WB     | 69.2  | 69.6  | 69.1  | 70.2  | 71.2  | -     | -     |
|                     | <b>Old-age dependency ratio, %</b>                            | UN     | 29.2  | 29.7  | 30.0  | 30.4  | 31.0  | 31.6  | 32.3  |
|                     | <b>Composite governance indicators*</b>                       | WB     | 1.3   | 1.3   | 1.3   | 1.3   | 1.3   | 1.2   | -     |
|                     | <b>Political stability, index</b>                             | WB     | 0.4   | 0.4   | 0.5   | 0.5   | 0.6   | 0.5   | 0.0   |

\*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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**Applied methodology**

[Sovereign Rating Methodology](#), January 2024

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