

Kingdom of Belgium

Rating Report


AA-
 NEGATIVE
 OUTLOOK

Credit strengths

- Wealthy 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 fiscal pressures
- Institutional rigidities and political fragmentation
- Low productivity growth, labour market rigidities and weak business dynamism

Rating rationale:

Wealthy and diversified economy: Belgium benefits from its high wealth levels and diversified economic structure, supported by high value-added services. This underpins resilience to shocks and shields Belgium's open economy from adverse external developments.

Favourable debt profile and strong market access: Government debt has a long average maturity, a low share of short-term debt and no foreign currency exposures. This robust debt profile combined with strong market access partially mitigate risks stemming from high public debt levels, elevated funding needs, and rising funding costs.

Sound external position: High net international investment assets, a diversified geographic export base across Europe and competitive exporting industries help mitigate external risks. Still, Belgium's external position faces several challenges related to adverse trends in competitiveness, including rising labour costs and weak productivity growth.

Rating challenges include: i) elevated and rising public indebtedness given wide budget deficits amid substantial fiscal pressures from population ageing and limited prospects for material fiscal consolidation; ii) persistent governance challenges, including institutional rigidities and high political fragmentation and polarisation at the federal and regional levels, curbing the government's capacity to address structural economic and fiscal pressures; and iii) structural economic weaknesses in the form of declining productivity growth, lagging business dynamism and labour market bottlenecks.

Belgium's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency	Qualitative*	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	aa	EUR [+1]	0	AA-	
Public Finance Risk	20%	bb+		0		
External Economic Risk	10%	bbb		+2/3		
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
Indicative outcome	a+			+1		
Additional considerations				0		

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

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 is achieved, placing public debt on a downward trajectory
- Economic growth outlook improves over the medium-term

Negative rating-change drivers

- Fiscal deficits remain large and underpin further increases in public debt
- Economic growth momentum weakens over the medium-term
- Political instability re-emerges and leads to policy inertia

Ratings and Outlook

Foreign currency

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

Local currency

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

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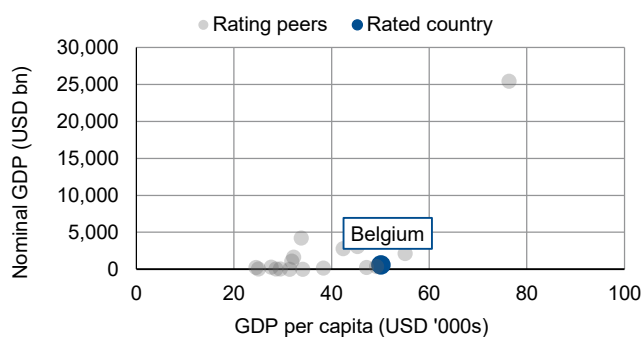
Bloomberg: RESP SCOP

Domestic Economic Risk

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

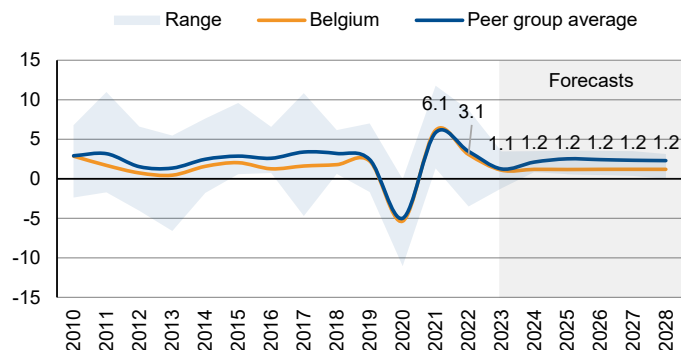
Analytical component	Assessment	Notch adjustment	Rationale
Growth potential of the economy	Weak	-1/3	Low and declining growth potential requires policy response
Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
Macro-economic stability and sustainability	Strong	+1/3	Diversified, high-value added economy supports economic stability

Nominal GDP and GDP per capita



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

Real GDP growth, %



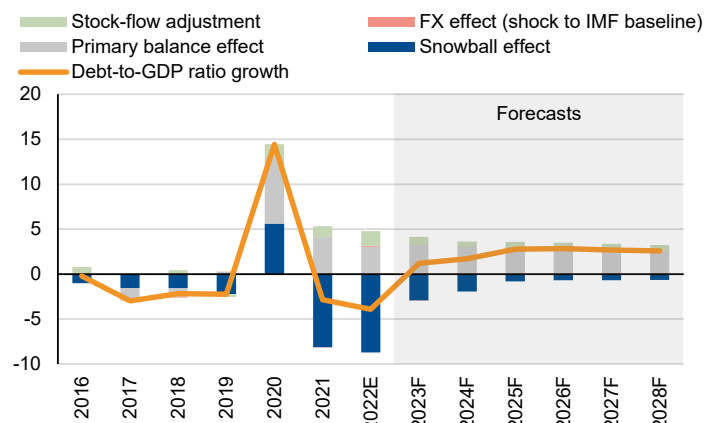
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

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

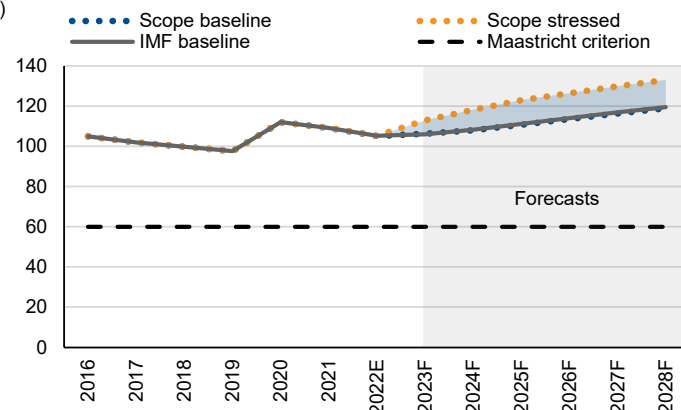
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Fiscal policy framework	Neutral	0	Long-term fiscal pressures due to ageing population; challenging fiscal policy coordination across different government levels
	Debt sustainability	Weak	-1/3	High and increasing public-debt levels, set to remain on an upward trajectory
	Debt profile and market access	Strong	+1/3	Low interest-payment burden, high average debt maturity, strong market access

Contributions to changes in debt levels, pp of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



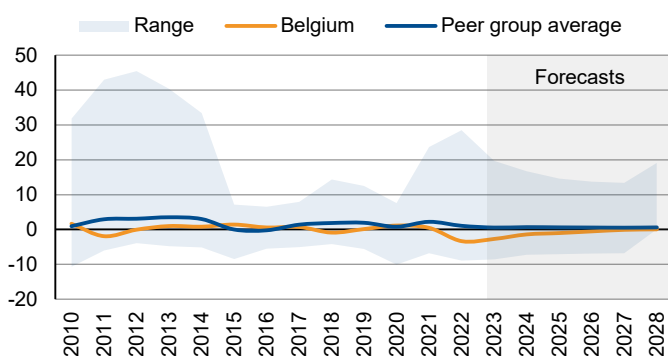
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

Overview of Scope's qualitative assessments for Belgium's *External Economic Risk*

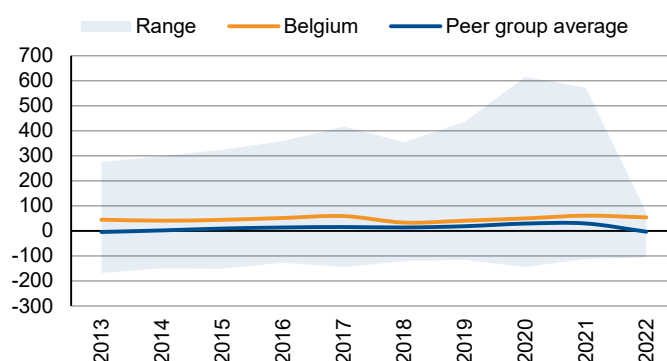
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Neutral	0	Post-crisis current-account deficits reflecting competitiveness challenges; diversified export base
	External debt structure	Strong	+1/3	Comfortable positive net international investment position; favourable debt structure
	Resilience to short-term external shocks	Strong	+1/3	Euro-area membership and solid external buffers shield against short-term external risks

Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



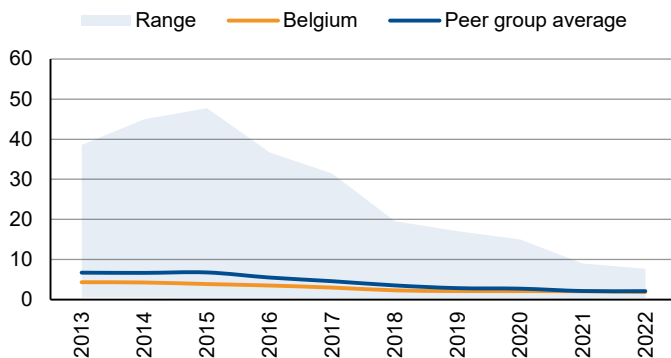
Source: IMF, Scope Ratings

Financial Stability Risks

Overview of Scope's qualitative assessments for Belgium's *Financial Stability Risk*

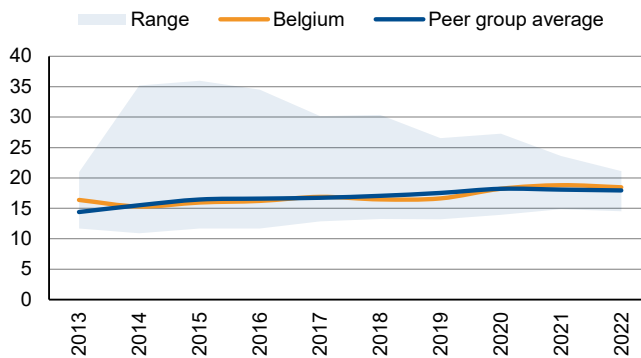
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	Strong capitalisation, asset quality and liquidity buffers; post-pandemic recovery in profitability supported by rising interest rates
	Banking sector oversight	Neutral	0	Robust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

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



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



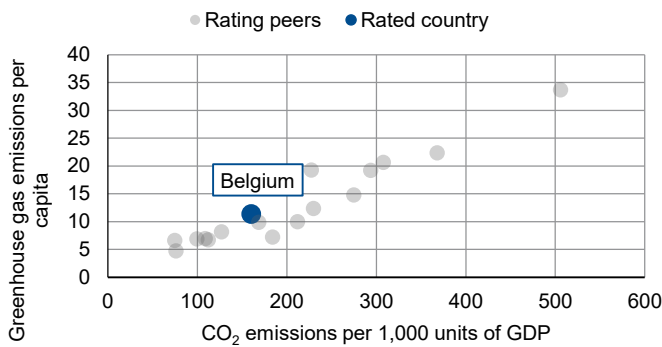
Source: IMF, Scope Ratings

ESG risk

Overview of Scope's qualitative assessments for Belgium's ESG risk

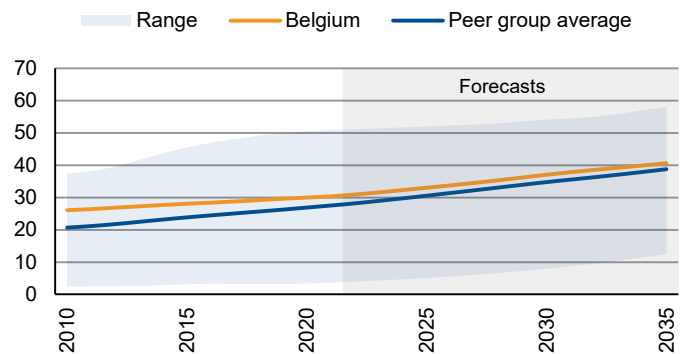
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Environmental factors	Neutral	0	High reliance on fossil fuel imports, slow progress towards climate neutrality objectives, meaningful transition risks
	Social factors	Neutral	0	Strong social safety nets; skills mismatches and persistent regional inequalities are challenges; weak demographic trends
	Governance factors	Weak	-1/3	Political fragmentation and polarisation constrain effective policy-making; fragile government coalition poses risks of another political stalemate

CO₂ emissions per GDP, mtCO₂e



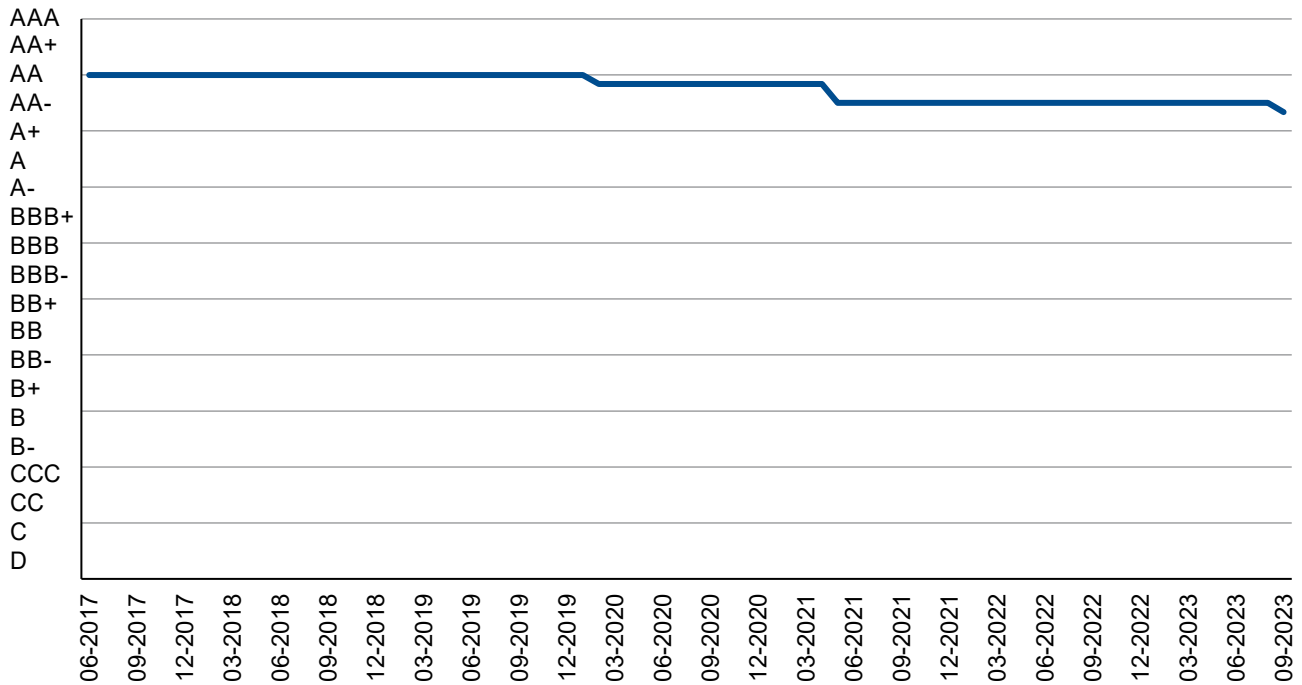
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history



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, with Scope's core variable scorecard embedding a methodological reserve-currency adjustment.

Peer group*
Cyprus
Czech Republic
Estonia
France
Japan
Lithuania
Malta
Portugal
Slovenia
United Kingdom
United States

Publicly rated sovereigns only; the full sample 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 peers and may therefore differ from national and other selective international statistics.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	47.7	46.8	45.5	51.5	50.1
	Nominal GDP, USD bn	IMF	543.5	535.9	524.8	594.5	582.2
	Real growth, %	IMF	1.8	2.2	-5.4	6.1	3.1
	CPI inflation, %	IMF	2.3	1.2	0.4	3.2	10.3
	Unemployment rate, %	WB	6.0	5.4	5.6	6.3	5.6
Public Finance	Public debt, % of GDP	IMF	99.9	97.6	112.0	109.2	105.3
	Net interest payment, % of revenue	IMF	3.6	3.4	3.4	2.9	2.6
	Primary balance, % of GDP	IMF	1.0	-0.2	-7.3	-4.1	-3.0
External Economic	Current-account balance, % of GDP	IMF	-0.9	0.1	1.1	0.4	-3.4
	Total reserves, months of imports	IMF	0.6	0.7	0.9	0.9	0.8
	NIIP, % of GDP	IMF	33.2	41.0	50.2	61.1	54.3
Financial Stability	NPL ratio, % of total loans	IMF	2.3	2.1	2.1	2.0	-
	Tier 1 ratio, % of risk-weighted assets	IMF	16.4	16.0	16.5	18.1	17.9
	Credit to the private sector, % of GDP	WB	68.1	69.8	75.3	-	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	172.6	168.1	161.2	160.4	-
	Income share of bottom 50%, %	WID	20.4	20.4	20.4	20.4	-
	Labour-force participation rate, %	WB	68.6	69.1	69.1	70.2	-
	Old-age dependency ratio, %	UN	29.2	29.7	30.0	30.4	31.0
	Composite governance indicators*	WB	1.2	1.2	1.2	1.2	-

* 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 12 September 2023

20.70



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