

Kingdom of Belgium

Rating report

Rating rationale

Wealthy and diversified economy: Belgium benefits from its wealthy, highly-diversified and competitive economy, 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. A robust debt profile combined with strong market access partially mitigate risks stemming from high public debt levels, elevated funding needs, and higher albeit moderate funding costs.

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) elevated and rising public indebtedness given wide budget deficits amid structural spending pressures 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 challenges given declining productivity growth, lagging business dynamism and labour market bottlenecks.

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%	aa	EUR	Belgium	0	AA-	
Public finance risk	20%	bb+			0		
External economic risk	10%	bbb			+1/3		
Financial stability risk	10%	aaa			+1/3		
ESG risk	Environmental factors	5%	[+1]	[-0]	0		
	Social factors	7.5%			b		0
	Governance factors	12.5%			aaa		-1/3
Sovereign Quantitative Model			aa-		0		
Additional considerations					0		

*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.

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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Credit strengths and challenges

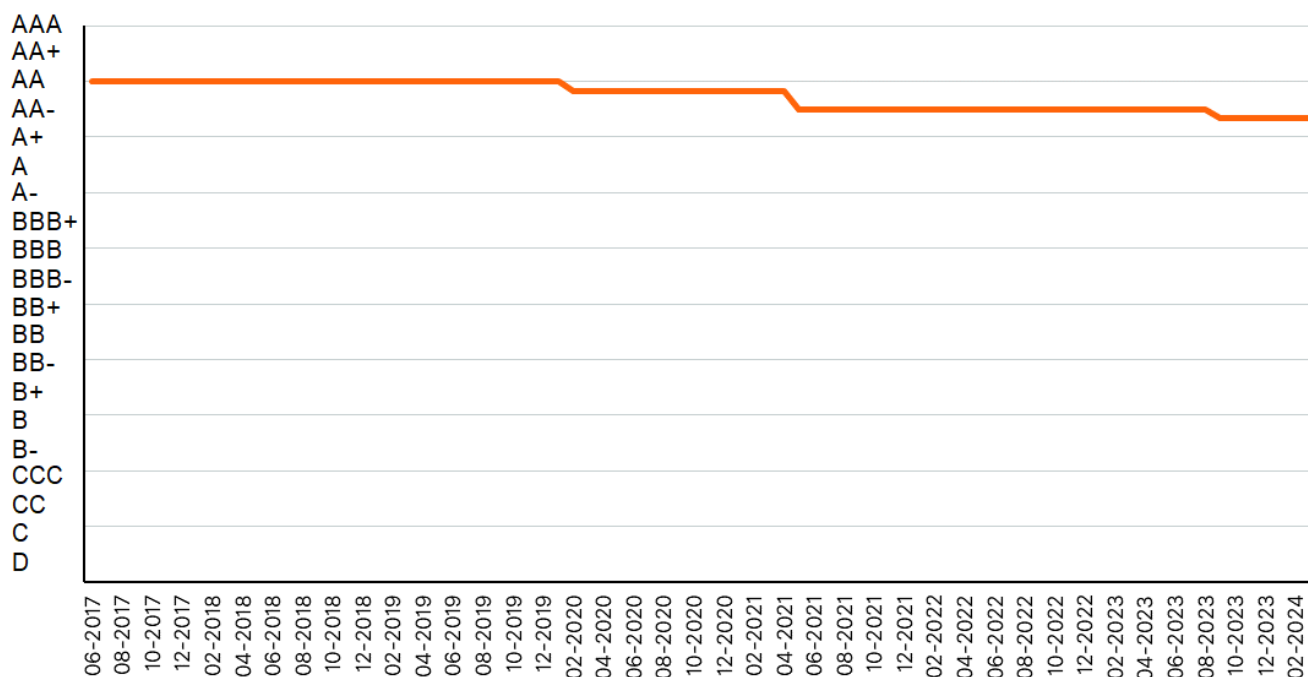
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • Wealthy and diversified economy • Favourable debt profile and strong market access • Strong external position 	<ul style="list-style-type: none"> • High and rising public debt; wide budget deficits amid structural fiscal pressures • Institutional rigidities and political fragmentation • Low productivity growth, labour market rigidities and weak business dynamics

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	Negative rating-change drivers
<ul style="list-style-type: none"> • Fiscal consolidation stabilises public debt-to-GDP ratio • Structural reforms raise the medium-term growth outlook 	<ul style="list-style-type: none"> • Weaker fiscal outlook, sustained increase in public debt-to-GDP ratio • Weaker growth outlook over the medium-term • Political instability worsened, further weighing on governance and the government’s capacity to implement credit-enhancing reforms

Figure 2: Rating history¹



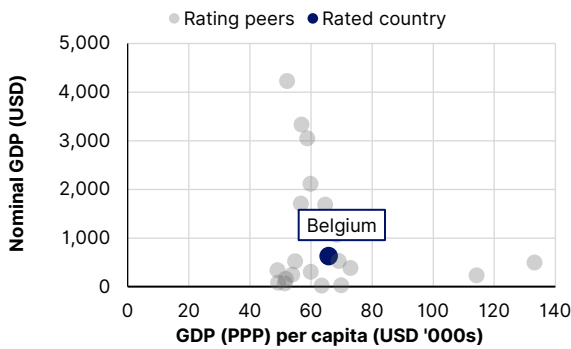
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

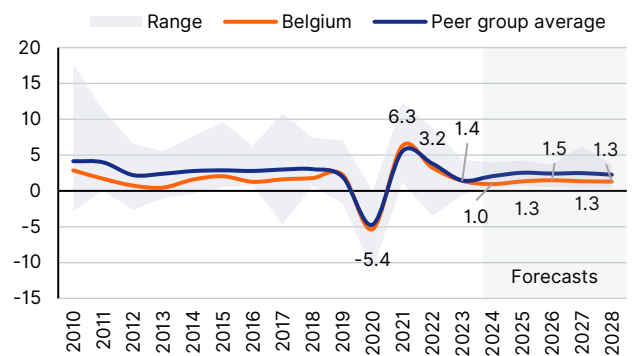
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential and outlook	Weak	-1/3	Low and declining growth potential poses policy challenges
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and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

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



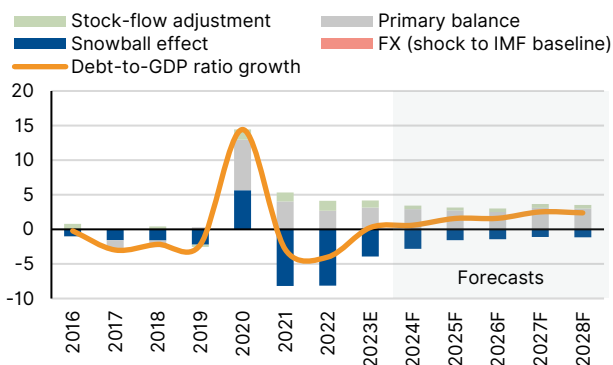
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

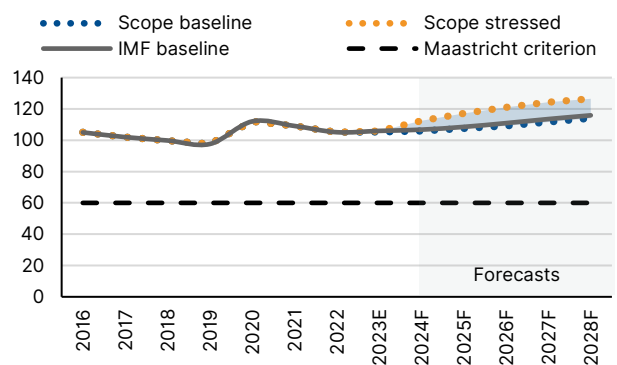
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Fiscal policy framework	Neutral	0	High fiscal deficits; budgeting process challenged by coordination across different government levels
	Long-term debt trajectory	Weak	-1/3	High and increasing public-debt levels, set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

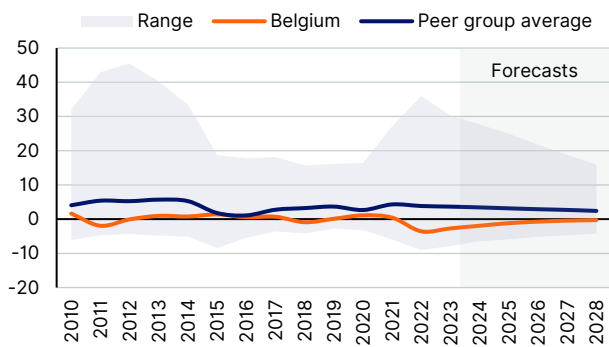
*Sovereign Quantitative Model.

External economic risk

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

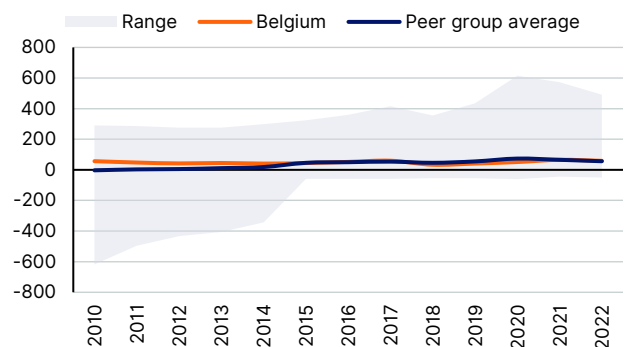
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Neutral	0	Post-crisis current-account deficits reflecting competitiveness challenges; diversified export base
	External debt structure	Neutral	0	Comfortable positive net international investment 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



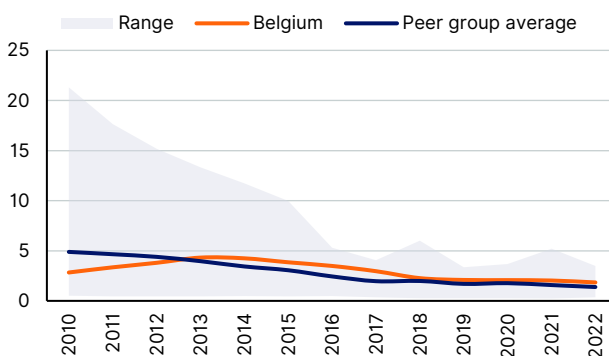
Source: IMF, Scope Ratings

Financial stability risk

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

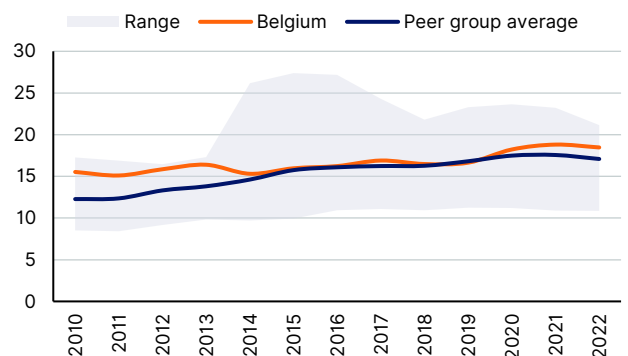
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	Strong capitalisation, asset quality and liquidity buffers; improvements in profitability supported by higher interest rates
	Financial sector oversight and governance	Neutral	0	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 significant housing market vulnerabilities; large household financial wealth

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

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



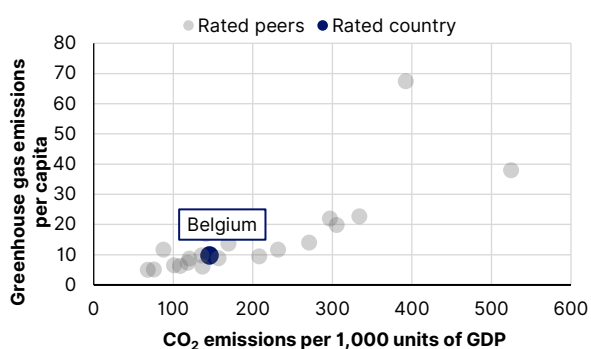
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

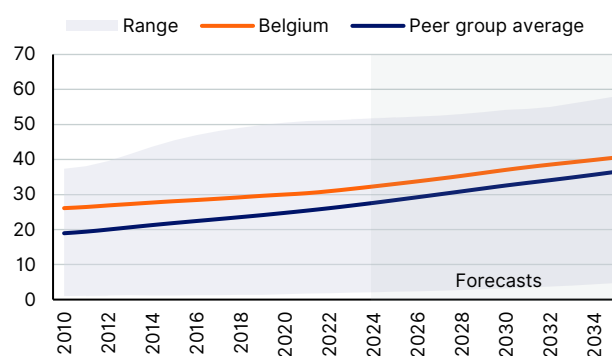
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Environmental factors	Neutral	0	High reliance on fossil fuel imports, slow progress towards climate neutrality objectives, meaningful transition risks
	Social factors	Neutral	0	Strong social safety nets; skills mismatches and persistent regional inequalities 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 after June 2024 elections

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

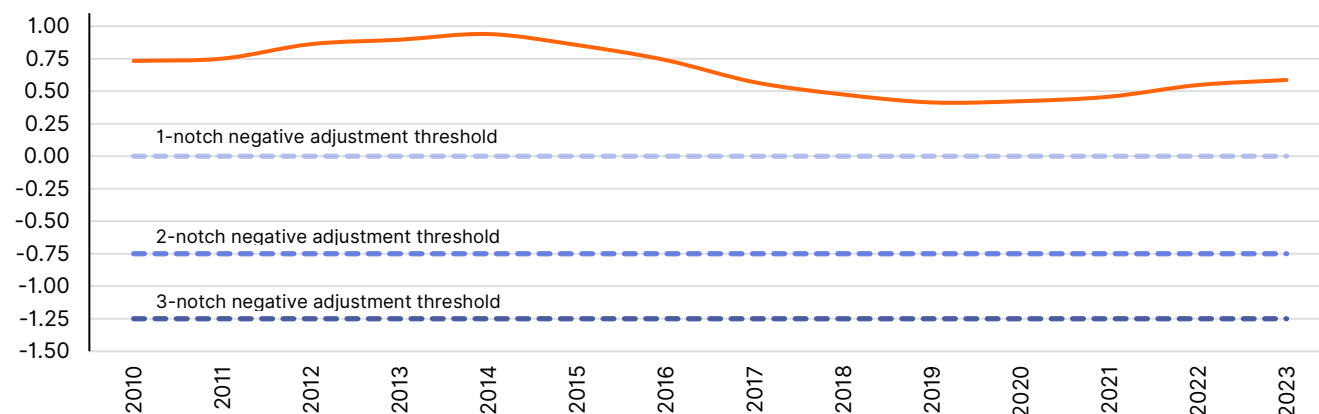
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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



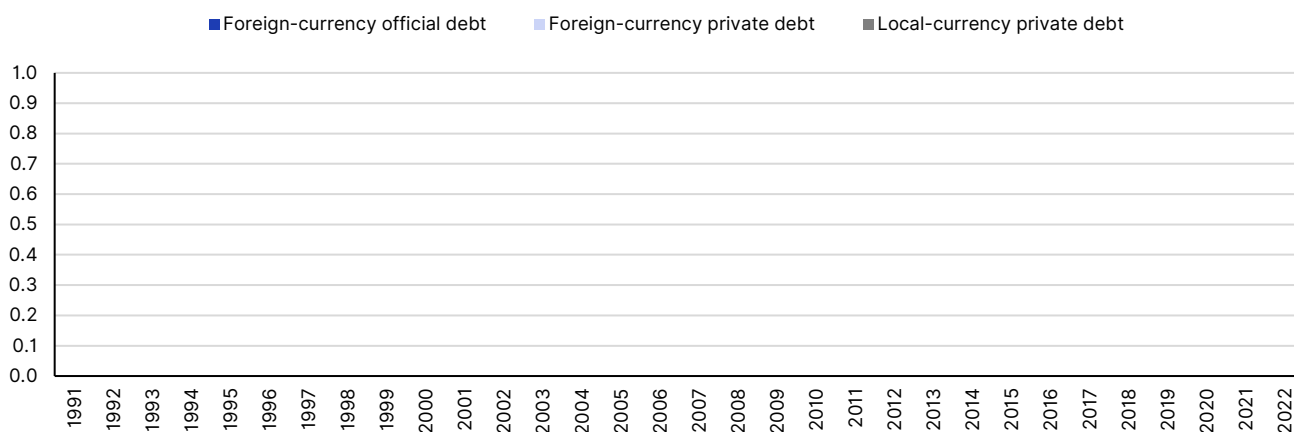
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: 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 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 sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Austria
Czech Republic
Finland
France
Japan
Lithuania
Malta
Slovenia
United Kingdom

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

Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 6 March 2024	19.4

Appendix IV. 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	2023E
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	52.7	54.5	52.0	57.6	63.3	65.8
	Nominal GDP, USD bn	IMF	543.5	535.9	524.8	594.7	579.1	627.5
	Real growth, %	IMF	1.8	2.3	-5.4	6.3	3.2	1.0
	CPI inflation, %	IMF	2.3	1.3	0.4	3.2	10.3	2.5
	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	109.1	105.1	106.0
	Net interest payments, % of government revenue	IMF	3.6	3.4	3.4	2.9	2.5	3.0
	Primary balance, % of GDP	IMF	1.0	-0.3	-7.3	-4.0	-2.6	-3.3
External Economic	Current-account balance, % of GDP	IMF	-0.9	0.1	1.1	0.4	-3.6	-2.7
	Total reserves, months of imports	IMF	0.6	0.7	0.9	0.9	0.8	-
	NIIP, % of GDP	IMF	33.2	41.0	51.0	65.5	58.9	-
Financial Stability	NPL ratio, % of total loans	IMF	2.3	2.1	2.1	2.0	1.8	-
	Tier 1 ratio, % of risk-weighted assets	IMF	16.4	16.0	16.5	18.1	17.9	18.1
	Credit to the private sector, % of GDP	WB	68.1	69.5	76.6	74.5	73.6	5.2
ESG	CO₂ per EUR 1,000 of GDP, mtCO₂e	EC	171.4	167.5	163.4	161.8	145.8	-
	Income share of bottom 50%, %	WID	19.8	19.6	21.0	21.9	22.0	-
	Labour-force participation rate, %	WB	69.2	69.6	69.1	70.2	-	-
	Old-age dependency ratio, %	UN	29.2	29.7	30.0	30.4	31.0	31.6
	Composite governance indicators*	WB	1.3	1.3	1.3	1.3	1.3	-
	Political stability, index	WB	0.4	0.5	0.5	0.7	0.6	-

*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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