

# Netherlands

## Rating report

### 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 recovering to 0.9% this year, before 1.6% 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 46.5% supported by high inflation and robust nominal growth. Despite remaining moderate, the debt level is seen to increase slightly to 47.1% this year and rise to around 52.5% by 2029 amid higher public spending on interest, healthcare and investment needs.

**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.

**Figure 1: The Netherlands' 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	Netherlands	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%	[+1]	[-0]	0	
	Social factors	7.5%			0	
	Governance factors	12.5%	aaa			
<b>Sovereign Quantitative Model</b>	<b>aaa</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.

### Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

### Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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### Credit strengths and challenges

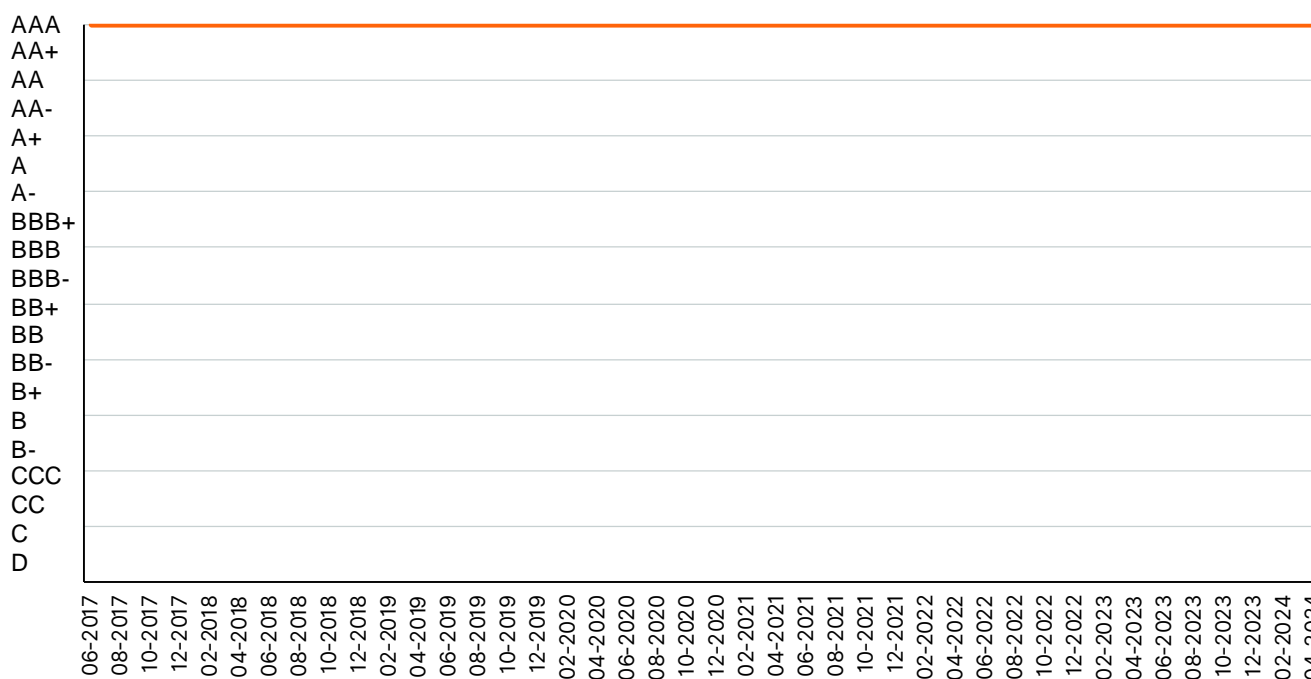
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>• Wealthy, diversified and internationally competitive economy</li> <li>• Moderate public debt</li> <li>• Strong external position</li> <li>• Resilient banking system</li> </ul>	<ul style="list-style-type: none"> <li>• Sensitivity to global developments</li> <li>• Elevated housing prices and high private-sector indebtedness</li> <li>• Labour-market duality, with a high share of part-time employment</li> </ul>

### 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
<ul style="list-style-type: none"> <li>• n/a</li> </ul>	<ul style="list-style-type: none"> <li>• A global or regional shock results in a significant drop in output and/or accentuated risks to financial stability</li> <li>• The fiscal outlook deteriorates, including elevated fiscal deficits and an increasing public debt trajectory over the long run</li> </ul>

Figure 2: Rating history<sup>1</sup>



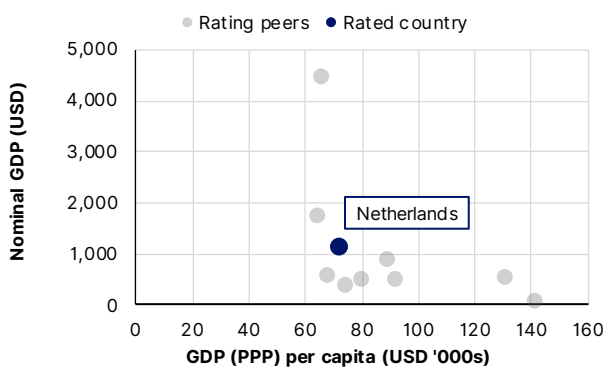
<sup>1</sup>Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

### Domestic economic risk

#### Overview of Scope's assessments of the Netherlands' Domestic Economic Risk

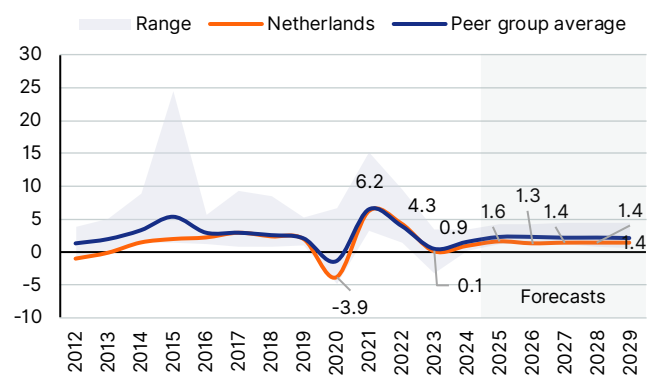
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Slowdown in growth, moderate growth potential
	Monetary policy framework	Neutral	0	ECB is a credible and effective central bank, but high euro-area inflation tests price stability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

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



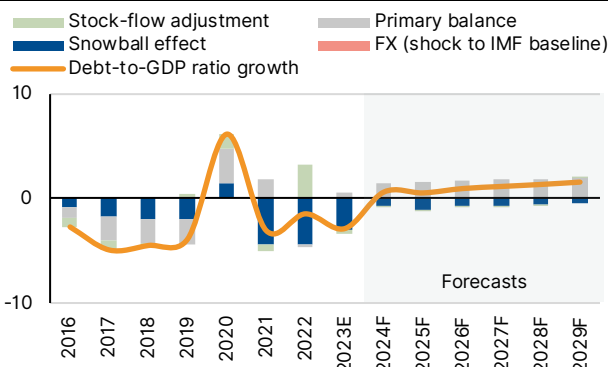
Source: IMF WEO, Scope Ratings forecasts

### Public finance risk

#### Overview of Scope's assessments of the Netherlands' Public Finance Risk

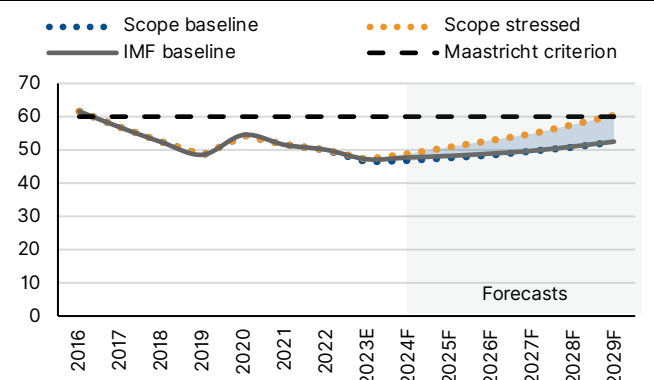
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Fiscal policy framework	Neutral	0	Strong national fiscal framework, in line with that of sovereign peers
	Long-term debt trajectory	Neutral	0	Moderate public-debt ratio including resilience of debt sustainability under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

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

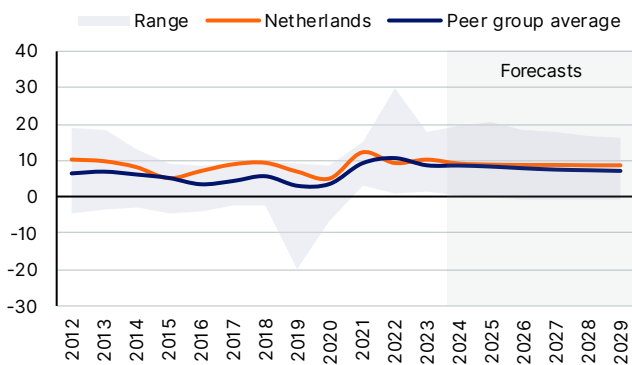
\*Sovereign Quantitative Model.

## External economic risk

### Overview of Scope's assessments of the Netherlands' External Economic Risk

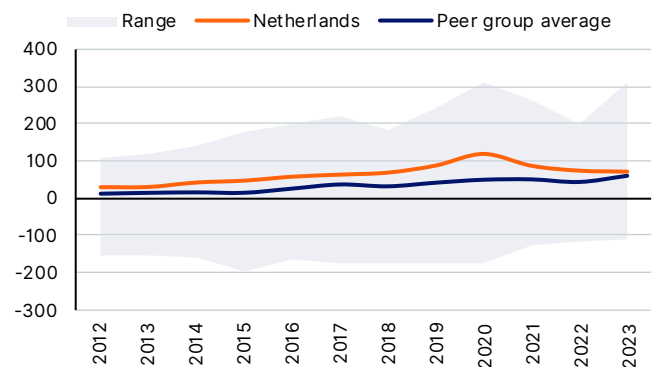
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Diversified and competitive exporting sector; recurrent and large current-account surpluses also driven by high net savings of multinationals benefitting from favourable tax treatment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

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



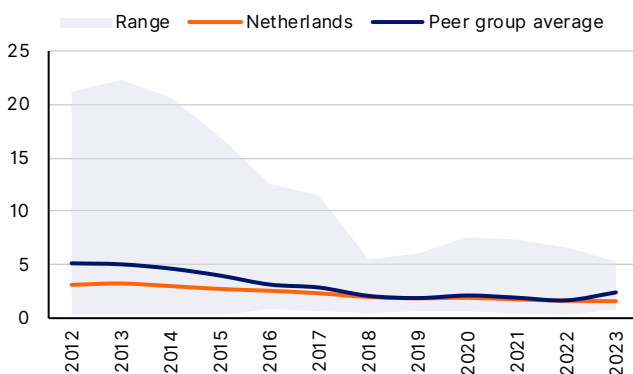
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of the Netherlands' Financial Stability Risk

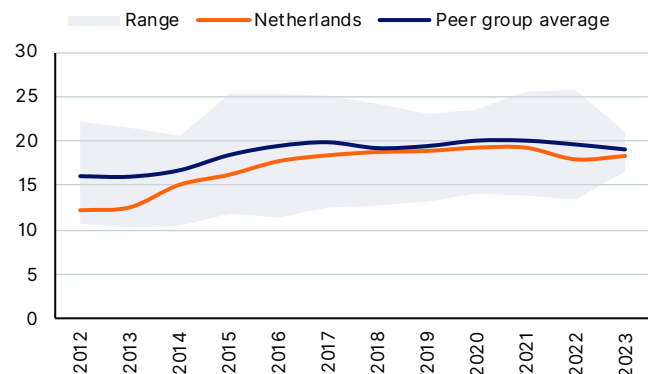
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Adequate capitalisation, comfortable liquidity, moderate NPLs levels compared to peer banking system
	Financial sector oversight and governance	Neutral	0	Effective oversight under De Nederlandsche Bank and the ECB as part of Banking Union, as well as the Authority for the Financial Markets
	Financial imbalances	Neutral	0	High household and private-sector indebtedness counterbalanced by savings via housing assets; significant housing-market risk

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



Source: World Bank (WB), Scope Ratings

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



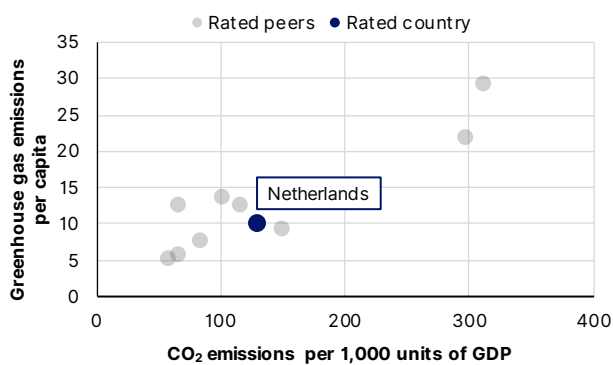
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of the Netherlands' ESG Risk

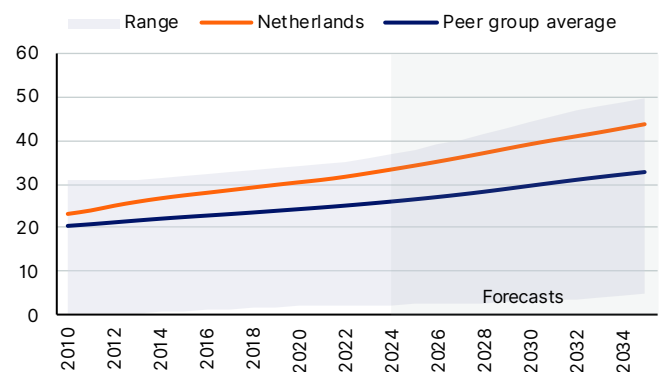
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Neutral	0	High nitrogen emissions, low albeit increasing share of renewables, high CO2 emissions per capita, natural disaster risks
	Social factors	Neutral	0	Weak demographics but strong social safety net; high employment and strong education
	Governance factors	Neutral	0	High-quality institutions but fragmented political landscape; formation of the government still pending after elections in November last year

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

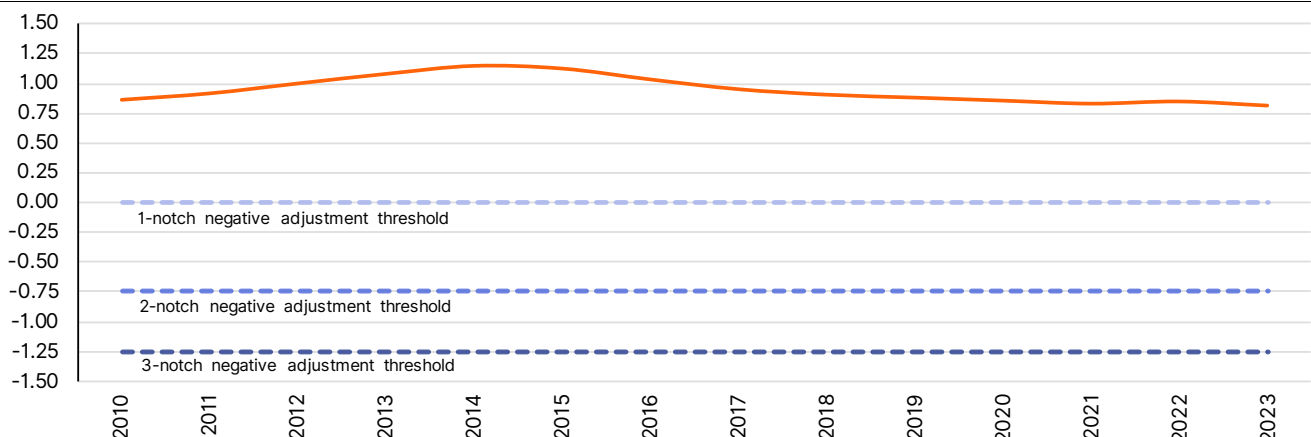
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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, Netherlands, 3-year moving average



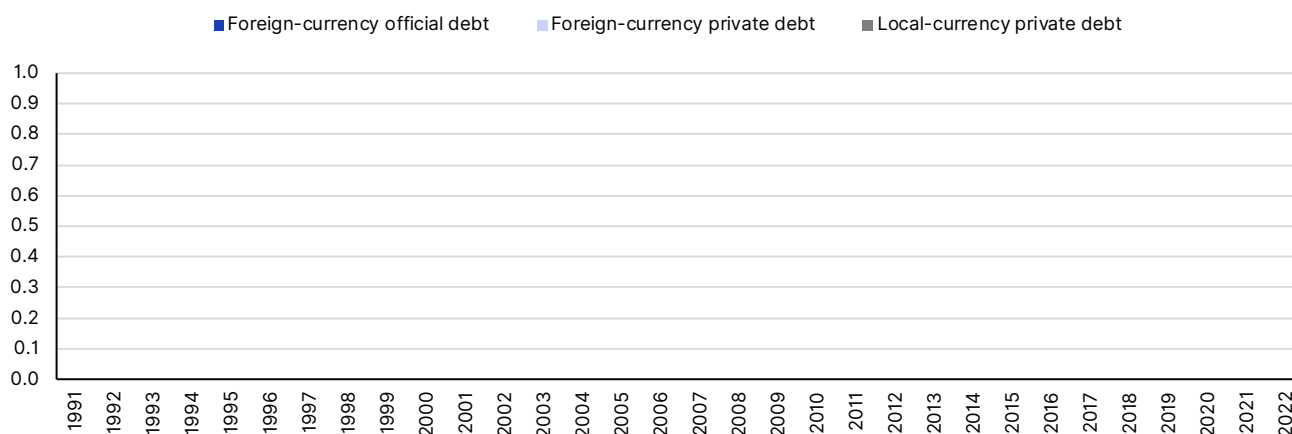
Source: WB, Scope Ratings

### 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*
Denmark
Germany
Ireland
Luxembourg
Norway
Sweden
Switzerland

\*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 26 April 2024	12.30

## 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	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	57.8	59.6	57.6	63.7	70.7	72.4
	Nominal GDP, USD bn	IMF	914	910	909	1,030	1,010	1,117
	Real growth, %	IMF	2.4	2.0	-3.9	6.2	4.3	0.1
	CPI inflation, %	IMF	1.6	2.7	1.1	2.8	11.6	4.1
	Unemployment rate, %	WB	3.8	3.4	3.8	4.2	3.5	3.5
Public Finance	Public debt, % of GDP	IMF	52.4	48.5	54.7	51.6	50.1	47.2
	Net interest payment, % of government revenue	IMF	1.6	1.3	1.2	0.8	0.9	1.4
	Primary balance, % of GDP	IMF	2.2	2.4	-3.2	-1.9	0.3	-0.5
External Economic	Current-account balance, % of GDP	IMF	9.3	6.9	5.1	12.1	9.3	10.2
	Total reserves, months of imports	WB	0.4	0.5	0.7	0.7	0.6	-
	NIIP, % of GDP	IMF	70.8	89.9	121.5	89.3	76.1	-
Financial Stability	NPL ratio, % of total loans	IMF	2.0	1.8	1.9	1.7	1.6	1.6
	Tier 1 ratio, % of risk-weighted assets	IMF	18.2	18.8	18.4	19.1	17.6	18.2
	Credit to the private sector, % of GDP	WB	105.5	100.7	102.9	96.1	92.1	-
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	169.0	160.3	150.3	145.7	129.8	-
	Income share of bottom 50%, %	WID	21.8	22.1	22.3	20.9	20.9	-
	Labour-force participation rate, %	WB	80.6	81.3	81.3	81.9	83.0	-
	Old-age dependency ratio, %	UN	29.1	29.8	30.3	30.9	31.6	32.4
	Composite governance indicators*	WB	1.8	1.7	1.8	1.7	1.7	-
	Political stability, index	WB	0.8	0.8	0.8	0.9	0.7	-

\*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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