

Kingdom of the Netherlands

This annex refers to the release of the monitoring note of 16 July 2021.

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aaa
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Strong
	Debt sustainability	Strong
	Debt profile and market access	Neutral
20%	Current account resilience	Neutral
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Neutral
QS adjustment (notches)		0
Additional considerations (notches)		0
Final rating		AAA STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s), EOP	46.2	48.8	53.2	52.5	52.2	58.0	61.3
Real GDP, % change	2.2	2.9	2.4	1.7	-3.8	4.0	3.1
Unemployment rate, %	6.0	4.9	3.8	3.4	3.8	3.4	3.6
CPI, % change	0.1	1.3	1.6	2.7	1.1	1.4	1.5
Policy rate, %, EOP	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
General government balance, % of GDP	0.0	1.3	1.4	2.5	-5.6	-5.0	-2.7
General government debt, % of GDP, EOP	61.9	56.9	52.4	47.6	54.0	56.5	56.6
Current account balance, % of GDP	8.1	10.8	10.8	9.9	10.0	9.0	8.9

Source: Macrobond, IMF, De Nederlandsche Bank, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification ²	AE
5y USD CDS spread (bps) as of 14 July 2021	10

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scopeeratings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Netherlands	July 2021	Assessment	Analytical rationale	
Peers*	Austria, Denmark, Finland, Germany, Norway, Sweden, Switzerland, Ireland, Luxembourg			
	Domestic economic risk	Growth potential	Neutral	Moderate growth potential
		Monetary policy framework	Neutral	ECB is a highly credible and effective central bank; appropriate response to the Covid-19 global crisis
		Macro-economic stability & sustainability	Neutral	Competitive and diversified economy; flexible labour market although dualities exist
	Public finance risk	Fiscal policy framework	Strong	Appropriate budgetary response to Covid-19 crisis; pre-crisis budgetary surpluses
		Debt sustainability	Strong	Moderate public debt ratio including resilience of debt sustainability under adverse scenarios
		Debt profile & market access	Neutral	Excellent government market access, low government financing costs, in line with peers
	External economic risk	Current account resilience	Neutral	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	High external debt and elevated share of short-term external debt, mitigated partially by composition including large intragroup borrowings and sizeable net external asset position
		Resilience to short-term shocks	Neutral	Highly open economy; benefits from euro-area membership
	Financial stability risk	Banking sector performance	Neutral	Adequate capitalisation, comfortable liquidity levels, higher NPLs than peers
		Banking sector oversight	Neutral	Effective oversight under the DNB and the ECB as part of Banking Union
		Financial imbalances	Weak	High household and private-sector indebtedness counterbalanced by savings through housing assets
ESG risk	Environmental risks	Neutral	Ambitious decarbonisation targets, high nitrogen emissions, low share of renewable energy, high CO ₂ emissions per capita	
	Social risks	Neutral	Weak demographics but strong social safety net; risks from rising levels of inequality	
	Institutional and political risks	Neutral	High-quality institutions	

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard after the reserve-currency adjustment.