



# NEWS RELEASE

Feb 26, 2024

Rating and Investment Information, Inc. (R&I) has announced the following:

## Kingdom of the Netherlands (Sec. Code: -)

### [Affirmed]

Foreign Currency Issuer Rating: AAA, Stable

Domestic Currency Issuer Rating: AAA, Stable

### RATIONALE:

The Netherlands has diversified industries including the service industry such as financial service and the manufacturing industry of petroleum and chemicals etc. It is a major re-exporter and serves as a logistics hub for Europe, with a per capita gross domestic product (GDP) reaching US\$60,000. The current account balance has been in a large surplus. Despite the economic slowdown, the concern that the economic fundamentals which underpin the country's strong creditworthiness will be undermined is limited. The fiscal deficit is small and the government debt ratio stands at a constrained level. Based on the said recognition, R&I has affirmed the Foreign and Domestic Currency Issuer Ratings at AAA.

The real GDP growth decelerated in 2023, in contrast to the high growth rate achieved during the recovering process from the COVID-19 pandemic. Domestic demand lost momentum due to the negative impact of inflation and rising interest rates, and exports also declined. According to the European Commission (EC), the real GDP growth rate was 0.2% for 2023. The labor environment remains sound with the historically low unemployment rate as well as the real wages expected to rise among other factors. Thanks partly to the effects of the government's policy aimed at pushing up the economy's purchasing power, the economy will likely be driven by stronger domestic demands in 2024. However, the EC projects the real GDP growth for 2024 at 0.4%, given the possible weak contributions by exports.

The private sector's outstanding debt stands at approximately 215% to GDP as of 2022, of which the corporate debt stands for approximately 121%, followed by approximately 94% of the household debt. Although the level is high in comparison with other Euro area member countries, it is on a declining trend. Most of the corporate debts are said to be intra-group debt, whose risk is relatively limited. Meanwhile, the majority of household debts are mortgage loans and their financial-asset profile consists primarily of less liquid assets such as pensions and insurance. Nevertheless, the direct impact of monetary tightening is expected to be limited because of the predominance of fixed interest rate debts. The risk associated with household debts is constrained, given that housing prices, which had been on a downtrend, have started to pick up.

There is an improving trend in the country's fiscal balance, while it has been in a deficit due to the measures taken against the COVID-19 pandemic among other factors. Netherlands Bank projects a fiscal deficit of 0.9% to GDP for 2023. Although the fiscal deficit has widened from the previous year due to the supportive measures to households and companies affected by soaring energy prices, it is still hovering at a low level. The 2024 budget formulated by the interim government plans the fiscal deficit to widen to a 2% range, reflecting the increased spending associated with measures to restore purchasing power, national defense, public investments and interest payment etc. Despite this prospect, the outstanding general government debt will likely remain modest, standing at approximately 47% to GDP as of 2023 year-end. As the interest payment burden as a share of GDP also stands at a low level, R&I believes that the fiscal policy will not be a negative factor in assessing the country's creditworthiness.

In the parliamentary election held following the resignation of Prime Minister Mark Rutte due to a dispute in his ruling coalition over the issue of immigration, the Party for Freedom (PVV), the right-wing party that endorses an anti-Islam position, became the largest party in a major victory. Talks toward formation of a new coalition government will likely face a number of difficulties, in R&I's view. Eyes are on the course of the new administration's national policy management, reflecting the impact of the parliamentary election and the social and political environments that lie behind it.

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**R&I RATINGS:****ISSUER: Kingdom of the Netherlands****[Affirmed]**

	Rating	Rating Outlook
Foreign Currency Issuer Rating	AAA	Stable
Domestic Currency Issuer Rating	AAA	Stable

Primary rating methodologies applied:  
R&I's Analytical Approach to Sovereigns [May 21, 2021]

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