Creditreform Sovereign Rating

Creditreform Rating

Rating Object	Rating Information	
KINGDOM OF THE NETHERLANDS	Assigned Ratings/Outlook: **AAA /stable**	Type: Monitoring, Unsolicited
Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	Initial Rating Publication Date: Rating Renewal: Rating Methodologies:	26-08-2016 17-05-2024 “Sovereign Ratings” “Rating Criteria and Definitions”

Rating Action

Neuss, 17 May 2024

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of “AAA” for the Kingdom of the Netherlands. Creditreform Rating has also affirmed the Netherlands’ unsolicited ratings for foreign and local currency senior unsecured long-term debt of “AAA”. The outlook is stable.

Contents

Rating Action 1
Key Rating Drivers 1
Reasons for the Rating Decision and Latest Developments 1
Macroeconomic Performance 2
Institutional Structure 4
Fiscal Sustainability 5
Foreign Exposure 5
Rating Outlook and Sensitivity 8
Ratings*....................................... 8
ESG Factors 9
Economic Data 10
Appendix 11

Key Rating Drivers

1. Very wealthy, diversified and productive economy; strong innovation capabilities, an advanced level of digitalization, and sound labor market performance have added to macroeconomic resilience during the recent succession of crises; we expect real GDP growth to recover somewhat this year and display a faster growth pace next year, facilitated by an assumed easing of monetary policy
2. Favorable medium-term growth outlook supported by investment plans to advance the twin transition, which should add to macroeconomic strengths including high competitiveness, and a flexible labor market with a high participation rate; vulnerabilities related to private sector indebtedness and house price valuations may have receded somewhat, but remain to be monitored
3. Exceptionally strong institutional set-up, underpinned by deep integration into EU/EMU; very strong performance regarding the Worldwide Governance Indicators (WGIs) we deem the most relevant; current uncertainty relating to a lengthy and ongoing process of government formation following recent political volatility, with consensus-based and coherent policymaking ultimately assumed to be prevailing
4. While the general government balance looks unlikely to post a surplus in the medium term in light of recent spending and investment plans, and the public debt ratio seems set to rise at a moderate level, we do not harbor any concerns over fiscal sustainability; limited fiscal risks continue to pertain to sizeable contingent liabilities, while sound debt management and high, although less favorable debt affordability, remain mitigating factors
5. Low external risks in light of a high and positive net international investment position (NIIP), as well as repeated large current account surpluses, notwithstanding exposure to international trade dynamics as a highly open economy

Reasons for the Rating Decision and Latest Developments[1]

Macroeconomic Performance

The sovereign's exceptionally high creditworthiness is buttressed by its very strong macroeconomic profile, including its competitive and diversified economy, a high level of wealth, and strong innovation capacity. In addition, the Netherlands boasts one of the EU's highest productivity levels. A strong labor market, reflected in sustained employment growth, low unemployment rates, and a very high labor participation rate, further adds to its macroeconomic strengths, balanced somewhat by high levels of private sector debt and risks related to the residential property market. We assess medium-term growth prospects as constructive, given sizeable public investment earmarked for the implementation of the twin transition (green and digital), whilst labor shortages could pose some challenges.

Underscoring its economic strength, the Netherlands continues to count among the wealthiest economies in the world, boasting a GDP per capita of USD 72,403 in 2023 (IMF, PPP terms, current prices). In this regard, the sovereign is also more or less in line with peers of our AAA-rated universe, such as Denmark (USD 74,457) and Germany (USD 65,584).

Having proved relatively resilient throughout the recent successive shocks, Dutch real GDP growth slowed considerably, coming in nearly flat in 2023 and posting at 0.1% (euro area: 0.4%). That said, Dutch total economic output was by 6.6% higher in real terms than in the pre-pandemic year 2019, compared to 3.3% in the euro area overall. Over the course of 2023, economic activity was weighed down by high, albeit decreasing, inflation rates and slowing demand of key trading partners posing a drag on private consumption and net exports, while tightening monetary policy increasingly weighed on gross fixed capital formation (GFCF).

In a sign that the economy may be past its trough, real GDP expanded by 0.4% q-o-q in the final quarter of last year, whilst sentiment indicators such as consumer sentiment and export expectations among businesses have recently improved. Given higher food and fuel prices, headline HICP inflation ticked up from 2.7% in February 2024 to 3.1% in March 2024 (EA: 2.6%). Core inflation posted at the same level, having proved somewhat stickier in recent months.

We expect private consumption to add positively to real GDP growth this year. Benefiting from abating inflation compared to 2023, as well as from strong nominal wage growth, real disposable income looks set to rise this year, with the tight labor market maintaining upward pressure on wages, as hinted at by recent collective labor agreements. An increase in the monthly minimum wage adds to this. Although the job vacancy rate has begun to ease from its peak in the middle of last year, it still counts among the highest in the EU, posting at 4.2% in Q4-23, pointing at possible challenges to plug skills gaps.

Overall, the Dutch labor market constitutes a stabilizing factor to household consumption and remains a vital pillar regarding the sovereign's key macroeconomic strengths. Averaging 3.6% in 2023, the Dutch unemployment rate was at a similar level to the preceding year, representing one of the lowest rates among EU members. Despite the difficult circumstances, employment grew by a considerable 1.5% in 2023, in line with that of our AAA-rated peers and the euro area as a whole. Strong performance in structural terms, including the highest labor participation

[1] This rating update takes into account information available until 10 May 2024.

rate in the EU, as well as with regard to the European Commission's (EC) Social Scoreboard, remains conducive to the overall robustness of the Dutch labor market.

High borrowing costs and, to some extent, labor shortages, curb investment prospects in the near term. Due to its sensitivity to interest rate movements, the construction sector is particularly affected by tight financing conditions. We also note that fixed investment may suffer from requirements to reduce nitrogen emissions. While we expect monetary policy easing to begin from the middle of 2024 (see below), tangible positive effects on investment are unlikely to come through before next year. Public investment to foster the green and digital transformation should remain supportive in the meantime.

Following last year's decline in exports, we expect limited impulses via this channel in the current year, given only moderate economic growth expectations for main trading partners, such as Germany and France, in 2024. With domestic demand expected to pick up, net exports may thus still not contribute positively to growth in 2024. On the back of some tailwind from the expected monetary easing, 2025 could then see net exports add to GDP growth.

Overall, we expect real GDP growth to fall short of its potential in the near term, expanding by 0.9% in 2024 and 1.5% in 2025. Uncertainty surrounding these projections remains pronounced in light of the high degree of openness of the Dutch economy and the persisting uncertainty over geopolitical developments and related economic fallout.

Notwithstanding some challenges on the back of the progressing twin transformation (green and digital), the medium-term growth outlook remains well-supported by key strengths of the Netherlands, including its track record of consistently strong competitiveness, as illustrated by the relevant global indicators. More recently, with a view to the 2023 IMD World Competitiveness Ranking, the Netherlands improved by one place to rank 5 out of 64 countries. Complementing this, the Netherlands remains among the top ten (2023: 7th out of 132 economies) regarding the Global Innovation Index, e.g., displaying particular strong results pertaining to 'institutions', 'business sophistication', and 'knowledge and technology outputs'. An outstanding position among EU countries pertaining to its semiconductor industry additionally enhances its competitive strength.

Further contributing to our positive assessment, the Netherlands can be considered one of the EU's frontrunners in terms of digitalization, e.g. reflected in a well-developed digital infrastructure compared to the EU overall and faster progress in terms of the digitalization of public services, drawing on the EC's Digital Decade Country Report 2023. Moreover, the share of individuals with at least basic digital skills exceeds the EU average by far, and the share of Dutch SMEs displaying a basic level of digital intensity is on average higher than in the EU. Further investment in digitalization and the climate transition remains bolstered by the national RRP. Following the approval of the Netherlands' modified RRP by the Council of the EU in October 2023, a total of EUR 5.4bn in grants is available, subject to conditions, of which the Netherlands has allocated 55% to climate and 26% to digital objectives.

Against this backdrop, prospects for potential growth seem favorable, likewise supporting a constructive medium-term growth outlook. Potential growth is estimated to amount to 2.0% in 2024 and 1.9% in 2025 (AMECO data), standing out in our AAA-rated universe and comparing favorably with the euro area as a whole. The Netherlands persistently displays one of the EU's highest nominal labor productivity readings, moving 24.2% above the EU average in 2023 in terms of per hour worked, while productivity growth has been one of the lowest among EU members

over recent years. That said, recent developments concerning real unit labor costs do not hint at weakening competitiveness from a cost point of view. Despite the unfavorable external environment of late, the Netherlands' global export market share of goods and services ticked up to a relatively high 3.09% in 2023, thus exceeding its pre-pandemic level.

Risks to the medium-term outlook continue to stem from the high, albeit further decreasing, level of private indebtedness, partly in connection with the housing market and related borrowing standards. As of Q3-23, household debt stood at 171.6% of disposable income (Q3-22: 189.3%), representing one of the highest in the EU. Given that mortgage debt accounts for the lion's share of household debt, there remain downside risks to private consumption and the overall economic performance linked to financial market developments and possible abrupt house price corrections. However, in light of slower housing market dynamics, partly as a consequence of tight financing conditions, risks may have receded somewhat. Meanwhile, NFC-debt-to-GDP has decreased to 105.1% of GDP in Q4-23, likewise posting among the higher values in the EU, although intra-group lending of MNEs will have to be factored in here.

Institutional Structure

The sovereign's exceptionally high institutional quality is also reflected by very strong performance regarding the World Bank's Worldwide Governance Indicators (WGIs). The advantages associated with the Netherlands' profound integration into EU/EMU structures, including free trade as well as access to broad and deep capital markets, further enhance its institutional framework. Generally, Dutch HICP inflation, wages, and MFI interest rates displayed broad alignment with the euro area level over the last decade. Whilst a long-standing track record of sound and forward-looking policy-making adds to our very positive assessment of the sovereign's governance quality, the Netherlands is currently undergoing a lengthy period of government formation following the November 2023 snap election that resulted in the right-wing Party for Freedom (PVV) becoming the strongest party, but struggling to form a coalition. Against this backdrop, there is some uncertainty over policy formulation and implementation, although we ultimately expect the consensus-based character of Dutch policymaking to prevail. With a caretaker government currently in place, latest developments hint at the possibility of an extra-parliamentary government.

The four WGIs we deem the most relevant for our assessment of a sovereign's institutional standards largely confirm the Netherlands' exceptionally high-quality governance framework. While slipping somewhat with regard to the reference year 2022, the relative ranks of the pillars 'Control of Corruption' (8th out of 213 economies), 'Rule of Law' (15th out of 213) and 'Government Effectiveness' (11th out of 213) markedly outperform the relative ranks of the euro area median, and are broadly aligned with our AAA-rated sovereigns. The same holds for the pillar 'Voice and Accountability,' with regard to which the Netherlands was ranked slightly better as compared to the preceding year, now coming in 6th.

Furthermore, the high quality and efficiency of the Dutch justice system is again underscored by the latest EC Rule of Law Report (Jul-23), which also attests to the judiciary an advanced level of digitalization, with the utilization of digital tools in court proceedings counting among recent improvements. While the Netherlands is widely considered one of the world's least corrupt countries, authorities have made further advancements towards strengthening anti-corruption policies. According to GRECO's second compliance report of the fifth evaluation round (Oct-23) regarding the prevention of corruption and promotion of integrity in top executive functions and law enforcement agencies, the Netherlands has satisfactorily implemented seven of sixteen

recommendations, partly implemented seven recommendations, and not implemented two recommendations following the last compliance report published in Jul-21.

Underpinning the forward-looking character of policymaking, the Dutch Pension Act (Jul-23) is to reform the Dutch pension system, with a transition period until 2028, aiming to move towards a defined contribution scheme rather than a defined benefits scheme, while combining the accrual of individual pension capital with collective risk-sharing elements.

The political landscape currently presents some challenges to government formation. After the four-party coalition led by prime minister Rutte (People's Party for Freedom and Democracy, VVD) collapsed due to disagreement over migration policy in July 2023, the Netherlands held a snap election in November. With the former coalition parties suffering losses, the right-wing opposition party PVV obtained the most of votes (23.49%, 37 of 150 seats), but subsequently failed to form a government coalition. The alliance GreenLeft-Labour (GL/PvdA) became the second strongest political force (25 seats), followed by the VVD with 24 seats—now led by Dilan Yesilgöz—and the New Social Contract party (NSC, 20 seats). The Farmer-Citizen Movement (BBB) obtained 7 seats.

Coalition talks between PVV, BBB, NSC and VVD seem to be heading for an extra-parliamentary government, with the four party leaders potentially retaining their seats whilst not taking ministerial posts. A possible development towards a sort of technocratic—and somewhat more right-leaning—government could entail shifting priorities regarding details of the green transformation. Ultimately, we expect ongoing coherent policy formulation and firm commitment to sound public finances to prevail.

With the Netherlands being one of the countries particularly exposed to climate risks, the Dutch government has maintained a strong focus on the implementation of policies concerning the green transition in recent years. Greenhouse gas emissions were reduced to 9.2 tons per capita in 2022, still moving above the EU average (2022: 7.8 tons per capita). At the same time, the overall share of energy from renewable sources remains comparatively low at 15% in 2022 (EU average: 23%), notwithstanding a sharp increase over the last decade. As regards eco-innovation capabilities, the Netherlands showed more favorable performance, being ranked ninth among EU member states in the Eco-Innovation Index 2022.

Fiscal Sustainability

Against a track record of prudent fiscal-policymaking and sound debt management, as well as a moderate debt-to-GDP level offering ample scope to respond to shocks and foster the twin transition, solid public finances remain a supportive factor to our AAA-rating of the Kingdom of the Netherlands. Envisaged priorities of the outgoing government, such as the purchasing power package and spending related to social security, healthcare, defense and climate protection, would likely contribute to higher general government deficits this year and next, with the outlook currently somewhat blurred by uncertainty over the constellation of the new government. We expect the debt-to-GDP ratio to move slightly higher this year and next, whilst remaining below the 60% threshold in the medium term. Fiscal risks pertain to a relatively high level of public guarantees, and, although to a lesser extent by now, to house price valuations in combination with stretched private sector balance sheets.

After recording average surpluses of 1.2% of GDP p.a. over 2016-2019, the fiscal balance has shown deficits since the pandemic. However, the general government deficit narrowed markedly to 0.1% of GDP in 2022 before increasing slightly to 0.3% of GDP in 2023, thus coming in

significantly lower than expected in our latest rating review (May-23). This was in part due to under-execution against expenditure ceilings, with the tight labor market apparently playing a role, and to lower public investment than envisaged.

Total general government expenditure ultimately rose by 7.8% last year, partly driven by social benefits and increasing public wages, while subsidies decreased as crisis support measures were cut back. Interest payments saw a stronger rise than in the preceding year (+26.0%). Total revenue (+7.2% y-o-y) was boosted by current taxes on income and wealth (+17.1%), as well as by net social contributions (+4.0%) on the back of a solid labor market development. The discontinuation of the VAT reduction on electricity and gas also contributed positively on the revenue side.

Despite the gradual phasing out of energy support measures, an expansionary stance for fiscal policy looks likely for the near term. Continuation of the policies of the outgoing government would include prospectively higher expenses for the green and digital transition, defense, as well as for social spending, health care and pension requirements. Public finances will also be affected by likely higher interest payments and costs incurred by providing military assistance to Ukraine and receiving Ukrainian refugees. In Aug-23, the outgoing government introduced a 'purchasing power package', aimed at low-income earners and families with children, also including an increase to the housing benefit and employees' tax credit, and potentially raising government spending by roughly EUR 2bn per year from 2024 (Draft Budgetary Plan 2024, DBP24). The costs of the package are to be partly offset by higher taxes on higher income, as well as higher excise duties on alcohol and tobacco.

Bearing the above measures in mind, we expect the general government deficit to widen to 2.1% of GDP in 2024 and 2.2% of GDP in 2025. We stress that these forecasts are subject to uncertainty at this stage, given that a new government coalition is yet to be formed. Beyond that, persisting geopolitical tensions and the related economic risks could weigh on fiscal performance. In addition, the new pension system is expected to put some additional strain on government finances in 2026 due to the integration of military pensions into the new system. According to the Stability Program 2024 (SP24), this could add about 0.7% of GDP in 2026.

Following strong nominal GDP growth, the debt-to-GDP ratio fell from 50.1% of GDP in 2022 to 46.5% of GDP in 2023, continuing to compare favorably to the public debt ratio of the euro area as a whole (2023: 88.6% of GDP). With this it also dropped below its pre-pandemic level (2019: 48.6% of GDP). We expect the debt-to-GDP ratio to move upward from its moderate level, reaching 46.7% of GDP in 2024 and 47.2% of GDP in 2025.

We continue to see contingent liability risks emanating from public guarantees. Drawing on the DBP24, public guarantees amounted to a high 22.4% of GDP in 2023, of which 13.9 p.p. were related to the financial sector. Moreover, we would monitor any developments around potential compensation payments linked to the authorities' decision to completely cease drilling activities at the Groningen gas field.

As mentioned above, interest payments climbed in y-o-y terms, but debt remains highly affordable, judging by an interest-to-revenue ratio of 1.5% in 2023, which also compares as moderate against most EU members. Notwithstanding expected monetary policy rate cuts from the middle of this year, interest expenditure looks set to gradually climb over the medium term, given a higher interest rate environment compared to most of the last decade. The yield on Dutch 10-year government bonds has slowly increased following uncertainty around the timing of the

expected monetary policy rate cuts, after hitting its lowest value of the year 2023 in December. More recently (26-Apr-24), it posted at 2.83%. At this stage, we assume that the ECB will reduce monetary policy rates for the first time this June, and that the main refinancing rate should come to 3.40% at the end of 2024, down from 4.50% at present. This would take into account the intended lowering of the difference between the main refinancing rate and the deposit rate from 50 bp to 15 bp from Sep-24.

Meanwhile, the relatively large Dutch banking sector (272.3% of GDP in Q3-23) appears to be in solid shape, with financial institutions having slightly improved their capitalization level and enjoyed increasing profitability of late. At the end of 2023, the CET1-ratio stood at 15.9%, slightly above the level of the previous year (Dec-22: 15.7%, EBA data) and roughly in line with the EU (Dec-23: 16.0%). The pronounced level of private debt in a context of prolonged high interest rates still poses some vulnerabilities with regard to the debt-servicing capacity of the private sector, potentially leading to an increase in NPLs. However, such risks seem broadly balanced by a significant share of mortgages subject to fixed rates and a relatively high asset quality, as underscored by an NPL ratio of 1.4% in Q4-23 (EU average: 1.9%). Moreover, in May-23 the DNB had decided to increase the countercyclical capital buffer from 1.0% to 2.0% with effect from 31-May-24, to strengthen the resilience of the banking sector amid the changed risk environment.

Credit dynamics to the private sector have been mixed over the last 12 months, with outstanding loans to private households for house purchases having continued to increase y-o-y, still rising by 3.3% as of Feb-24 (Feb-23: 4.2%). Vulnerabilities to more abrupt house price corrections persist, but may have receded somewhat, partly as wage growth and lower inflation rates are benefiting household disposable income. In addition, the annual growth rate of house prices is just about back in positive territory (Q4-23: 0.1%, Eurostat data), having dropped into negative territory in Q2-23 following a peak in early 2022. Drawing on affordability indicators provided by the OECD, the price-to-income ratio has, overall, hinted at lower price misalignments lately.

Risks to the medium-term outlook are further mitigated by persistently sound debt management, a diversified investor base, and a favorable debt structure. As of Mar-24, the Netherlands' average weighted maturity amounted to 8.9 years (Mar-23: 8.6 years, ECB data), counting among the longer ones on the European scale. Further out, the new pension system that is to be rolled out by 2028 is to address pressure exerted from the long phase of low interest rates and the aging Dutch population.

Foreign Exposure

We continue to consider the sovereign's external position as a credit strength, thanks to recurrent high current account surpluses and its featuring the EU's second-highest positive NIIP, boosted partly by the presence of MNEs and its status as a trading hub. We expect the Netherlands to continue to display pronounced current account surpluses over the medium term, also reflecting ongoing strong competitiveness.

The Netherlands' current account surplus widened from 9.3% of GDP in 2022 to 10.1% of GDP in 2023, driven by an increase in the goods surplus, which overcompensated the slight narrowing of the surplus in the services balance. We note that a data revision on primary income and net exports in 2021 and 2022 resulted in much larger current account surpluses for the years 2021 and 2022 than previously reported. While we expect the Netherlands' external position to remain strong over the medium-term, we think that the current account surplus will tend to

decrease somewhat amid structural shifts including transitioning towards lower carbon emissions and a lower savings base, partly associated with an ageing population.

Meanwhile, the NIIP decreased to 71.8% of GDP in 2023 (2022: 75.2% of GDP), partly due to valuation effects and marked nominal GDP growth, representing the EU's second-largest net external creditor position. Net direct investment remains the dominant component, not least reflecting activities of MNEs.

Rating Outlook and Sensitivity

Our rating outlook for the Kingdom of the Netherlands is stable. This reflects our view that the Netherlands' strong macroeconomic fundamentals, the outstanding quality of its institutional framework, considerable fiscal scope, and ample external buffers continue to balance current downside risks to economic and fiscal performance associated with the geopolitical situation, as well as, to some degree, the uncertainty over the shape and ultimate priorities of the future government.

We could lower the sovereign's outlook or rating if the economy undergoes a prolonged phase of pronounced weakness, and/or if the debt-to-GDP ratio sees a sharp increase over a protracted period. Conceivable scenarios for the above to happen could include a further escalation of geopolitical tensions and a materialization of contingent liabilities, as well as a drastic slump in house prices.

Analysts

Primary Analyst
Fabienne Riefer
Head of Public Finance
F.Riefer@creditreform-rating.de
+49 2131 109 1462

Analyst
Dominic Prott
Analyst Public Finance
D.Prott@creditreform-rating.de
+49 2131 109 3810

Person Approving Credit Ratings
Philipp J. Beckmann
P.Beckmann@creditreform-rating.de

Ratings*

Long-term sovereign rating	AAA / stable
Foreign currency senior unsecured long-term debt	AAA / stable
Local currency senior unsecured long-term debt	AAA / stable

*) Unsolicited

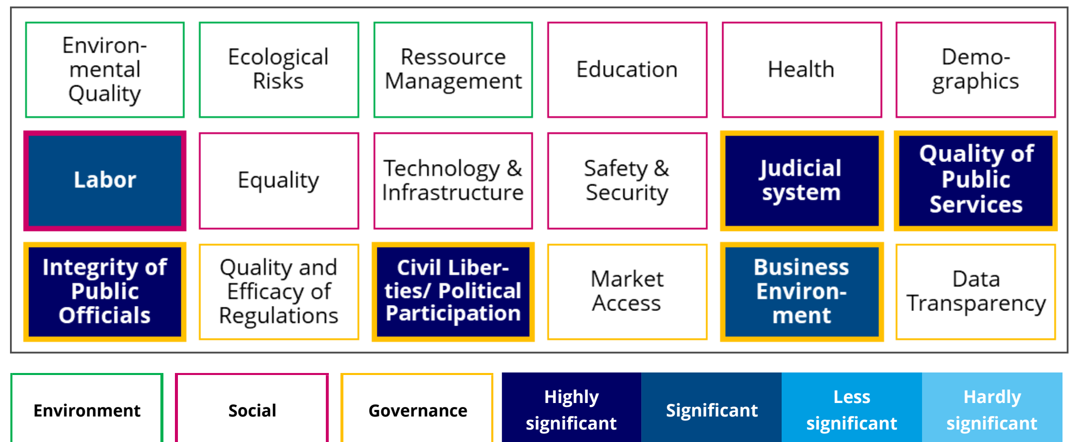
ESG Factors

Creditreform Rating has signed the ESG in credit risk and ratings statement formulated within the framework of the UN Principles for Responsible Investment (UN PRI). The rating agency is thus committed to taking environmental and social factors as well as aspects of corporate governance into account in a targeted manner when assessing creditworthiness.

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In the following, we explain how and to what degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor, and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and to Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down key principles of the impact of ESG factors on credit ratings.

ESG Factor Box



The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

Since indicators relating to the assessment of an economy's competitive stance by e.g. the World Bank, the World Economic Forum, the European Commission, and IMD Business School

and the World Intellectual Property Organization (UN) add further input to our rating or adjustments thereof, we judge the ESG factor 'Business Environment' as significant.

The social dimension plays an important role in forming our opinion on the creditworthiness of the sovereign. Labor market metrics constitute crucial goalposts in Creditreform Rating's considerations on macroeconomic performance of the sovereign, and we regard the ESG factor 'Labor' as significant to the credit rating or adjustments thereof.

While Covid-19 may exert adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing on public finances. To be sure, we will follow ESG dynamics closely in this regard.

Economic Data

[in %, otherwise noted]	2018	2019	2020	2021	2022	2023e	2024e
Macroeconomic Performance							
Real GDP growth	2.4	2.0	-3.9	6.2	4.3	0.1	0.9
GDP per capita (PPP, USD)	57,785	59,553	57,578	63,698	70,667	72,403	74,158
Credit to the private sector/GDP	137.3	130.6	133.5	124.7	115.5	108.7	n/a
Unemployment rate	4.9	4.4	4.9	4.2	3.5	3.6	n/a
Real unit labor costs (index 2015=100)	99.6	99.7	105.7	100.7	98.8	98.8	100.0
World Competitiveness Ranking (rank)	4	6	4	4	6	5	n/a
Life expectancy at birth (years)	81.9	82.2	81.4	81.4	81.7	82.0	n/a
Institutional Structure							
WGI Rule of Law (score)	1.7	1.7	1.7	1.7	1.7	n/a	n/a
WGI Control of Corruption (score)	1.9	1.9	2.0	2.0	1.9	n/a	n/a
WGI Voice and Accountability (score)	1.5	1.5	1.5	1.5	1.5	n/a	n/a
WGI Government Effectiveness (score)	1.8	1.8	1.8	1.7	1.6	n/a	n/a
HICP inflation rate, y-o-y change	1.6	2.7	1.1	2.8	11.6	4.1	2.7
GHG emissions (tons of CO2 equivalent p.c.)	11.6	11.1	9.8	9.9	9.2	n/a	n/a
Default history (years since default)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fiscal Sustainability							
Fiscal balance/GDP	1.5	1.8	-3.7	-2.2	-0.1	-0.3	-2.1
General government gross debt/GDP	52.4	48.6	54.7	51.7	50.1	46.5	46.7
Interest/revenue	2.0	1.7	1.5	1.2	1.2	1.5	n/a
Debt/revenue	119.8	110.6	123.9	118.1	115.5	107.8	n/a
Total residual maturity of debt securities (years)	7.2	7.5	7.2	8.1	8.1	8.5	n/a
Foreign exposure							
Current account balance/GDP	9.3	6.9	5.1	12.1	9.3	10.1	n/a
International reserves/imports	6.0	6.8	9.1	8.5	7.1	8.3	n/a
NIIP/GDP	73.1	89.6	113.0	93.3	75.2	71.8	n/a
External debt/GDP	489.3	467.0	449.3	410.4	374.5	338.5	n/a

Sources: IMF, World Bank, Eurostat, AMECO, ECB, CBS, IMD Business School, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	26.08.2016	AAA /stable
Monitoring	28.07.2017	AAA /stable
Monitoring	29.06.2018	AAA /stable
Monitoring	28.06.2019	AAA /stable
Monitoring	26.06.2020	AAA /stable
Monitoring	18.06.2021	AAA /stable
Monitoring	17.06.2022	AAA /stable
Monitoring	19.05.2023	AAA /stable
Monitoring	17.05.2024	AAA /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. Neither the rated sovereign nor a related third party participated in the credit rating process. Creditreform Rating AG had no access to the accounts, representatives or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating was conducted on the basis of CRAG's "Sovereign Ratings" methodology (v1.2, July 2016) in conjunction with its basic document "Rating Criteria and Definitions" (v1.3, January 2018). CRAG ensures that methodologies, models, and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on our website.

To prepare this credit rating, CRAG has used the following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, World Intellectual Property Organization (WIPO), IMD Business School,

De Nederlandsche Bank, CBS (Centraal Bureau voor de Statistiek), CPB Netherlands Bureau for Economy Policy Analysis, Dutch Ministry of Finance, DSTA (Dutch State Treasury Agency).

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision."

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website.

No ancillary services in the regulatory sense were carried out for this rating object. Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses ancillary services provided for the rated entity or any related third party, if any, in its rating reports. For the complete list of provided ancillary services please refer to Creditreform Rating AG's website: https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as "initial rating"; other updates are indicated as an "update", "upgrade or downgrade", "not rated", "affirmed", "selective default" or "default".

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available on the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating issued by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of

Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the entity or the issue under review.

When assessing the creditworthiness of sovereign issuers, Creditreform Rating AG relies on publicly available data and information from international data sources, governments, and national statistics. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. Hence, this rating is no statement of fact, but an opinion. Nor should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments. Thus, no express or implied warranty as to the accuracy, timeliness or completeness for any purpose of any such rating, opinion or information is given by Creditreform Rating AG in any form or manner whatsoever. Furthermore, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

Creditreform Rating AG
Europadamm 2-6
D - 41460 Neuss

Phone +49 (0) 2131 / 109-626
Fax +49 (0) 2131 / 109-627
E-Mail info@creditreform-rating.de
Internet www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Michael Bruns
HRB 10522, Amtsgericht Neuss