CareEdge Global assigns 'Stable' outlook to the rating of Kingdom of the Netherlands

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge AAA' (Unsolicited)

Issuer rating	CareEdge AAA/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of the Kingdom of the Netherlands (Netherlands) while reaffirming the Long-Term Foreign Currency rating of 'CareEdge AAA' (Unsolicited).

The Netherlands represents a large, high-income, and competitive economy. The credit profile benefits from its strong economic structure, robust external position, good governance quality, and stable monetary system. Additionally, it has a sound fiscal position supported by low levels of government debt and strong debt affordability.

The Netherlands has a relatively large trade exposure to the EU region, which increases the risks associated with an economic slowdown in key trading partners. Furthermore, the impact of an ageing population on potential economic growth and public finances remains a key monitorable going forward.

Outlook: Stable

The stable outlook reflects our expectation that the robust external position of Netherlands will sustain over the medium term, on the back of persistent and significant current account surpluses and its positive net international investment position. Going forward, we also believe that Netherlands' fiscal position will remain comfortable supported by adequate buffers, which mitigate the likely impact of higher government debt and interest costs.

Downside Scenario

Any significant headwinds to economic growth, potentially arising from slowing growth in key trading partners, risks from reciprocal tariffs announced by the US, and demographic challenges, could result in a revision of the outlook to negative. Furthermore, any material deterioration in public finances, though not envisaged in the near term, could also weaken the country's credit profile.

Key Rating Drivers

Economic Structure & Resilience

The Netherlands represents a large economy with a nominal GDP of USD 1.2 trillion (2023) and a high-income economy with a per capita GDP of USD 71,709 (2023) in constant purchasing power parity (PPP) terms. Further, the economy is highly competitive in nature.

On the growth front, the economy is estimated to have expanded by 1% in 2024, following a subdued growth of 0.1% in 2023. The economic growth is projected to improve further to 1.6% in 2025 and 1.8% in 2026.

The Netherlands has a relatively large trade exposure with the EU region. This increases the risks associated with an economic slowdown in key trading partners. Going forward, labour market tightness and the impact of an ageing population on potential economic growth remain the key monitorables for the economy.

Fiscal Strength

The Netherlands' fiscal position is characterized by the low level of general government debt. The general government debt is estimated at 44.3% of the GDP in 2024, moderating from a pandemic peak of 53.3% in 2020. Furthermore, the Netherlands' interest payments as a percentage of revenues remain low, signalling strong debt affordability. Although interest payments are projected to rise amid rising government debt and higher interest costs, debt affordability is likely to remain comfortable.

De Nederlandsche Bank, the Central Bank of Netherlands, expects the 2024 budget deficit to be better than expected at 0.7% of GDP aided by higher revenues and lower expenditures. However, the deficit is projected to rise above 2% in 2025 and 2026 due to higher spending on social security, healthcare, and defence. The one-time cost associated with reforming the military pension system is also expected to widen the deficit by over 2.5% of the GDP in 2026. Furthermore, the planned easing of the tax burden is also expected to impact the government finances. This can lead to a higher debt/ GDP ratio, which is projected to increase gradually to 49.3% of GDP by 2029, though it will remain comfortable.

There exist large potential contingent liabilities of government-controlled entities primarily arising from the financial sector. The liabilities of government-controlled entities (classified outside general government) amounted to 79.5% of GDP in 2022, of which the liabilities of entities involved in financial activities accounted for 64.4% of GDP. This is amongst the highest of the EU economies.

External Position & Linkages

The Netherlands has a track record of large current account surpluses, with the main contribution coming from a surplus in goods trade. The current account surplus is projected to remain strong, averaging at 10.2% of GDP over the next five years. However, the uncertain global trade environment could pose a headwind for the Netherlands' current account position.

While the Netherlands has low coverage of foreign exchange reserves in terms of months of imports, its current account surplus position, as well as the Euro's reserve currency status, serve as offsetting factors against this risk.

The external position of the Netherlands is characterized by high external debt at 370% of the GDP (2023). Despite this, its external assessment benefits from its positive NIIP at 54% of GDP (as of 2023). The assessment of the external pillar also takes into account its status as a financial centre and a multinational hub.

Monetary & Financial Stability

The Netherlands is a part of the European Economic and Monetary Union and has the Euro as its official currency. It follows a free-floating exchange rate regime. The euro's status as a global reserve currency also benefits the Netherlands' monetary assessment.

On the price front, the harmonized index of consumer prices (HICP) inflation was recorded at 3.5% in February 2025, remaining above the Central Bank's inflation target of 2%. The current levels of elevated inflation are driven by domestic factors, including improving demand and high wage growth. Going ahead, De Nederlandsche Bank expects wage growth and inflation in the Netherlands to remain elevated above that in the Euro Area.

The financial sector of the Netherlands benefits from a relatively low proportion of non-performing loans to gross loans in the banking sector, at 1.6% as of Q3 2024. Furthermore, the banking sector is well-capitalized. However, high exposure to the real estate sector, coupled with elevated debt levels of households and corporates, could pose risks to the banking sector.

Institutions & Quality of Governance

The Netherlands' strong performance in aspects of voice and accountability, government effectiveness, regulatory quality, rule of law, and control of corruption, as measured by the World Bank's Worldwide Governance Indicators, supports its assessment of this pillar.

Snap elections were held in the Netherlands in 2023 due to disagreements over environmental legislation and immigration policy. The fragmented election outcomes led to a prolonged delay in forming a new government. Last year, the country swore in a far-right government, ending the 13-year tenure of the previous Prime Minister. This government represents a coalition of the Freedom Party (PVV), the People's Party for Freedom and Democracy (VVD), New Social Contract (NSC) and the Farmer-Citizen Movement (BBB). The implications of this coalition government for leadership and policy continuity will need to be closely monitored going forward.

Netherlands – Select Indicators									
	Unit	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 F**	**2025 F**
Economic Indicators									
Nominal GDP	USD Billion	930	929	932	1,055	1,047	1,155	1,218	1,273
GDP Per Capita (Constant-PPP)	USD	67,692	68,844	65,698	69,552	72,556	71,709	71,715	72,448
Real GDP Growth	%	2.3	2.3	-3.9	6.3	5.0	0.1	1.0	1.6
GFCF/GDP	%	20.0	20.9	21.3	20.7	20.5	20.1		
Gross Domestic Savings/GDP	%	31.0	31.7	31.6	31.9	31.6	31.1		
Exports (G&S)/GDP	%	87.1	85.3	81.2	86.5	96.4	88.5		
Working-Age (15-64) Population (% Share in Total)	%	65.2	65.1	65.0	64.9	64.7	64.7	64.5	64.2
Old-Age (65+) Population (% Share in Total)	%	18.8	19.1	19.4	19.7	19.9	20.2	20.5	20.9
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	1.5	1.8	-3.6	-2.2	-0.1	-0.4	-1.6	-2.6
Revenue/GDP	%	43.9	43.9	44.2	43.7	43.2	42.8	42.6	42.2
Expenditure/GDP	%	42.4	42.1	47.8	45.9	43.3	43.2	44.2	44.8
GG Gross Debt/GDP	%	51.6	47.6	53.3	50.4	48.4	45.0	44.3	45.1
GG External Debt (by Creditor)/GG Gross Debt	%	39.8	41.4	39.9	35.2	33.8	34.5		
Interest/Revenue	%	2.3	2.1	1.9	1.5	1.4	1.6		
External Indicators									
Current Account Balance/GDP	%	9.0	6.8	5.6	10.0	6.6	9.9	10.0	10.1
FDI, Net Inflows/GDP	%	-30.8	-13.7	-23.7	-10.9	1.5	-26.8		
Outstanding FII Liabilities/GDP	%	278.1	312.3	334.2	303.0	249.2	259.3		
NIIP/GDP	%	49.0	68.3	94.5	67.8	54.1	54.0		
Foreign Exchange Reserves	USD Billion	39.6	45.0	53.8	65.0	63.8	70.1		
Import Cover	Months	0.7	0.8	1.0	1.0	0.8	0.9		
External Debt/GDP	%	505.3	484.5	506.4	421.0	400.2	369.9		
Monetary and Financial Indicators									
CPI Inflation	%	1.6	2.7	1.1	2.8	11.6	4.1	3.2	2.3
Exchange Rate (Average)	LC per USD	0.8	0.9	0.9	0.8	1.0	0.9	0.9	
Non-Performing Loans/Total Gross Loans	%	2.0	1.8	1.9	1.7	1.6	1.6	1.6	
Private debt, loans and debt securities/GDP	%	259.4	244.7	246.7	234.2	216.8	198.9		

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AAA/Stable	April 03, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AAA	October 03, 2024

Criteria Applied

CareEdge Sovereign Rating Methodology

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