

Highlights of the Sovereign Rating on the Kingdom of Netherlands

Updated Rating

Long-term Local Currency: AAA_i

Long-term Foreign Currency: AAA_i

Outlook: Stable

Previous Rating

Long-term Local Currency: AAA_i

Long-term Foreign Currency: AAA_i

Outlook: Stable

Ratings updated on

July 15th, 2016

Rating Opinions

United Ratings has decided to maintain the sovereign ratings of the Kingdom of Netherlands (hereafter referred to as “Netherlands”) in local and international currencies at AAA_i, with Stable outlook.

Although the incoming 2017 election will bring about some uncertainties to the country’s politics, the current public policies are not likely to change significantly. The solid consumption and investment is driving the economy to recover, and its growth momentum is expected to continue. The fiscal deficit narrows year by year, and the government debt burden is falling into a downward spiral. The traditional large-scale deficit in current account will keep existing. In summary, the payment ability of the Netherlands’ government in local and foreign currencies remains basically stable.

Reasons for Maintaining Ratings

- The 2017 election can hardly result in a majority government, but the overall existing policy orientation won’t shift drastically.
- The solid increase of consumption and investment will facilitate to promote the economic recovery, so the economic growth momentum won’t be weakened in the short run.
- The fiscal deficit reduces year by year, and the government debt burden falls in a downturn trend.
- The banking system within the territory is solid in general, but the scale of the housing mortgage loan is too large, so potential risks there exist.
- The large-scale deficit in current account will remain unchanged.

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Outlook

The 2017 election will bring about uncertainties to the Netherlands's politics, but the key policy orientations such as promoting fiscal consolidation won't change. The economy will keep solid growth trend and fiscal consolidation will continue. The large-scale deficit in current account won't

change significantly. For the points mentioned above, United Ratings maintains the outlook of Netherlands's sovereign ratings in local and foreign currencies in the coming 1-2 years at Stable.

Key Indicators of the Sovereign Rating for the Kingdom of Netherlands

	2011	2012	2013	2014	2015	2016 ^f
Nominal GDP (billion USD)	894.5	829.2	864.6	880.9	753.1	760.9
GDP per capita (USD)	53,706.2	49,561.6	51,525.6	52,341.5	44,558.9	44,820.0
Real GDP growth (%)	1.7	-1.1	-0.4	1.0	1.9	1.9
Inflation rate (%)	2.5	2.8	2.6	0.3	0.2	0.2
Total lending/GDP (%)	228.3	238.4	194.0	202.2	239.6	233.0
Domestic credit growth (%)	4.5	4.8	-9.5	11.8	-2.6	3.2
M2 growth (%)	3.5	2.3	-0.2	-0.6	1.1	3.2
Budget balance of governments/GDP (%)	-4.3	-3.9	-2.4	-2.4	-2.0	-1.5
Primary balance of governments/GDP (%)	-2.5	-2.2	-0.9	-0.9	-0.6	-0.4
Public debt/GDP (%)	61.7	66.5	67.9	68.2	68.1	67.6
Current-account balance/GDP (%)	9.1	10.8	11.0	10.6	10.4	9.8

Source: Sovereign Rating Database of United Ratings.

Note: "f" stands for forecasts.