Creditreform Sovereign Rating

Creditreform Rating

Rating Object	Rating Information	
KINGDOM OF BELGIUM	Assigned Ratings/Outlook: **AA /negative**	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:	30-09-2016 17-05-2024 "Sovereign Ratings" "Rating Criteria and Definitions"

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Rating Action

Neuss, 17 May 2024

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of "AA" for the Kingdom of Belgium. Creditreform Rating has also affirmed Belgium's unsolicited ratings for foreign and local currency senior unsecured long-term debt of "AA". The outlook is negative.

Key Rating Drivers

1. While GDP growth moderated in 2023, Belgium's very prosperous and diversified economy has recently outperformed euro area GDP growth; private consumption looks set to remain backed by strong wage growth amid a tight labor market and due to wage indexation; in this context, cost competitiveness will have to be monitored going forward, as labor productivity has recently decreased
2. Medium-term growth prospects remain bolstered by the presence of high-value-added industries and innovation strengths, as well as by initiatives aimed at enhancing labor participation and sizeable investment in the twin transformation (green and digital); persistent skill shortages could pose challenges alongside some vulnerabilities entailed by a relatively high level of private indebtedness
3. Very strong institutional framework buttressed by the advantages of Belgium's deep integration in EU/EMU structures; a potentially challenging government formation following the upcoming election, along with Belgium's generally complex political governance structure, comes with some risk for the speed of decision-making and implementation of reform measures
4. The elevated debt-to-GDP ratio is likely to edge up on the back of ongoing pronounced deficits driven by the spending side, underscoring fiscal risks as the sovereign's main credit weakness; uncertainty over the political landscape after the election also extends towards the outlook for fiscal consolidation; age-related cost pressure continues to weigh on the fiscal outlook, with the effects of recent reform measures aimed at lowering the pressure to be monitored; very sound debt management, and Belgium's favorable debt profile, remain risk-mitigating factors
5. Limited external risk against the backdrop of diversified exports, a current account position close to balance over recent years, and Belgium's highly positive net international investment position (NIIP)

Reasons for the Rating Decision and Latest Developments[1]

Macroeconomic Performance

Belgium's favorable macroeconomic profile features a relatively high GDP per capita, as well as high levels of productivity on the back of the strong presence of high-value-added sectors. Although decreasing, and partly mitigated by financial assets held by the private sector, levels of private indebtedness compare as relatively pronounced vis-à-vis other EU members. Comparatively robust economic growth performance throughout the recent accumulation of crises underscores the underlying resilience of the economy, to which a healthy level of diversification and a tight labor market partly contribute. Skill shortages could pose some constraints to medium-term growth. Likewise, with regard to Belgium's cost competitiveness, wage growth versus productivity developments are a factor to be monitored in our view. In the near term, persistent geopolitical tension and associated renewed commodity price spikes pose downside risks to an expected moderate economic acceleration.

After posting at 3.0% in 2022, Belgium's real GDP growth slowed to 1.4% last year, constituting a markedly stronger expansion of its economic output than in the euro area (EA) as a whole (EA 2023: 0.4%, Eurostat). While relatively high inflation and dampening effects from tight monetary policy took their toll on the economy, private consumption and investment nevertheless increased, notwithstanding the drag from residential construction. Amid a stronger fall in exports than for imports, net foreign demand posed a drag on GDP growth last year.

Quarter-on-quarter GDP growth rates have remained positive and robust throughout 2023. Likewise, real GDP saw an increase by 0.3% q-o-q in the first quarter of 2024, with positive contributions from the industry and services, while output in the building sector declined. Sentiment and high-frequency indicators back expectations for a moderate growth pace in the near term. However, from partly negative territory towards the end of 2023, HICP inflation went up to 4.9% this April (Eurostat, preliminary data), on the back of base effects regarding the energy component. The inflation rate is thus likely to display a higher average than last year (2023: 2.3%), possibly limiting expectations for stronger private consumption to some extent.

That said, private consumption should be supported by high wage growth benefiting from wage indexation, and, in 2025, from an assumed lower average inflation rate. To be sure, inflation rates remain subject to geopolitical risk and associated possible renewed spikes in commodity prices. Adding to a generally constructive outlook for private consumption and wage growth, Belgium's labor market remains tight, as also hinted at by one of the highest vacancy rates among the EU members (Q4-23: 4.4%, not s.a., Eurostat).

Having moved at around 5.5% over recent months, Belgium's unemployment rate maintains a path below the EA level (Mar-24: 6.5%, Eurostat). At the same time, employment growth has slowed to 0.8% in 2023 (EA: 1.4%) and further decreased to 0.5% y-o-y in Q4-23. Looking at structural indicators, Belgium's labor participation remains below the euro area level (BE 2023: 70.5%, EA: 75.1%), but has trended upward lately, and reform efforts towards increasing participation of women and elderly people continue. Shortages of skilled labor could nevertheless pose risks to underlying growth in the coming years if they persist.

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

As regards investment, tight financing conditions as a result of the monetary policy cycle currently pose a burden. Flanked by high building costs, residential construction is particularly affected. On the other hand, companies have sizeable cash reserves available to draw on, partly mitigating the above effects. Public investment is likely to be reinforced by funds linked to reforms and initiatives under the Recovery and Resilience Facility (RRF). Belgium's modified RRP, as approved by the Council of the EU in Dec-23, is now worth roughly EUR 5.3bn, or about 0.9% of GDP, and comprises EUR 5bn in grants and EUR 264mn in loans. Fifty-one percent of the plan is allocated to the green transition. While no disbursement has been made yet apart from pre-financing, hinting at a somewhat slow absorption, Belgian authorities submitted a first payment request in Sep-23 for EUR 847mn. Given our expectations for monetary policy rate cuts by the ECB from the middle of this year, prospects for investment are brightening.

Since the latter is similar for Belgium's main European trading partners, where inflation rates have likewise trended downward, the ground is being prepared for more impulses via exports. That said, with domestic demand set to accelerate and strengthen import demand, we expect net exports to continue to exert moderately negative effects on economic growth this year and next. Overall, we forecast real GDP to expand by 1.3% in 2024 and 1.4% in 2025. As a very open economy, Belgium remains exposed to risks around international trade dynamics and unpredictable developments in light of geopolitical tensions, including the wars in Ukraine and the Middle East.

With measures envisaged or on the way to accelerate the twin transition (green and digital), as well as to increase labor participation, we expect some positive effects on potential growth over the coming years. Drawing on AMECO data, at 1.7% in 2024 and 1.6% in 2025, near-term projections for Belgium's potential growth compare favorably with respective estimates for the euro area overall.

Belgium's high creditworthiness is additionally supported by a high (nominal) productivity level per hour worked in the European context (2022: 134.0% of the EU level), in turn boosted by high-value-added industries, which are also pillars for Belgium's innovative strengths. A competitive position in Europe as regards semiconductor research further underscores this, as does its top position among the EU members concerning businesses' gross domestic expenditure on R&D (2022: 2.53% of GDP, Eurostat). In the Global Innovation Index provided by the World Intellectual Property Organization, Belgium is ranked 23rd out of 132 economies.

Given ongoing strong wage growth, a significant role for productivity development is emphasized with a view to maintaining Belgium's overall competitiveness from a cost point of view. In this regard, we note that potentially productivity-enhancing structural reforms regarding product markets do not seem to have progressed meaningfully more recently. In 2022, Belgium's global export market share was broadly at the same level as prior to the outbreak of the global pandemic (2019: 1.79%), thus not pointing to any erosion of price competitiveness. However, while (real) productivity per person has continued to increase recently, the same cannot be said about productivity per hour worked, which declined in 2021 and 2022.

This being said, reforms, e.g., of the insolvency framework and with regard to regulatory matters in the telecommunication sector over recent years, can be seen as examples for progress in terms of strengthening the business environment. Moreover, according to the latest edition of the IMD World Competitiveness Ranking (2023), which considers 64 economies, Belgium was ranked 13th, improving markedly compared to previous years.

Some reservations regarding the medium-term growth outlook relate to the relatively high level of private sector debt, which limits shock-absorbing capacities of the sector to some extent. Non-financial corporate debt measured against GDP has recently shown some signs of stabilizing following a protracted downward movement over the last few years. At 98.5% as of Q4-23 (ECB data), it compares as relatively high among EU members. Similarly, whilst on a declining path, household debt-to-disposable-income (Q4-23: 98.2%), remains one of the higher ratios in the EU. That said, households' net financial wealth increased in 2023, with assets being boosted by both valuation gains and new investments (National Bank of Belgium, NBB). Having trended upward over recent years, loans to private households for house purchases accounted for more than half of the outstanding bank credit to the private sector (private households and NFCs) in Mar-24 (56.3%, ECB data), highlighting some macro-financial vulnerabilities in the higher interest rate environment.

Institutional Structure

Belgium's credit rating remains underpinned by its very strong institutional framework, including benefits associated with its deep-rooted integration into the EU/EMU, which among other things comes with access to the EU Single Market and the reserve currency status of the euro. Moreover, it also entails the international role of the capital as host to the headquarters of major EU institutions as well as NATO. Current polls hint at potential challenges to forming a government with regard to the June election of the federal parliament, pointing to a fragmented party landscape. Generally, Belgium's complex political governance structure tends to promote lengthy phases of government formation, complicate decision-making, and potentially hamper timely reform implementation. In this context, any effects from an envisaged state reform in 2024 with potentially more autonomy for the regions deserve attention. The above notwithstanding, authorities have taken effective action to coordinate the response to recent successive global crises, underscoring the ultimately favorable assessment of Belgium's institutional quality.

The World Bank's Worldwide Governance Indicators (WGIs) continue to support our favorable assessment of Belgium's institutional set-up. Focusing on the four WGIs we consider to be the most relevant in this regard, as well as on a country ranking among each of these four categories, we observe that Belgium is roughly in line with the median of our AA-rated sovereigns and compares favorably with the EA median ranks (WGI base year 2022). Tying in with the perception of a complex governing structure and associated challenges to policymaking, Belgium's rank concerning 'Government Effectiveness' (rank 33 out of 214 economies) compares as somewhat weaker than its ranks concerning the WGIs 'Voice and Accountability', 'Rule of Law', and 'Control of Corruption'.

Recent examples of challenges to the speed of decision-making and policy implementation linked to the fragmented political landscape include last year's stalling negotiations on tax reform, largely aimed at reducing the tax burden on labor. With a view to the upcoming election on 9 June, polls hint at a possibly lengthy government formation process amid a fragmented party landscape and potentially stronger results for current opposition parties, although a renewal of the outgoing multi-party 'Vivaldi' coalition may not be ruled out either.

Concerning recent efforts to further strengthen the quality of Belgium's judicial system, the European Commission's (EC) Jul-23 Rule of Law report points to some progress in addressing persisting staff and budgetary shortages, and highlights steps taken to increase level of digitalization. A legislative reform on lobbying covering members of parliament and the government still awaits completion. We generally view Belgium as responsive to recommendations by European institutions and the IMF. However, we note that the European Commission referred Belgium, along with Greece and Italy, to the European Court of Justice in Nov-23 for not correctly applying the rules under the Late Payment Directive, which obliges public authorities to pay invoices within 30 days with few exceptions.

In terms of ongoing efforts to greening the economy, we note that Belgium has potential to catch up regarding its overall share of energy from renewable sources. Whilst having continuously increased over recent years, its respective share stood at 13.8% in 2022, well below the EU level (2022: 23.0%, Eurostat data). Similarly, in terms of ecological innovation, Belgium moves in the lower third among the EU members, drawing on the EC's eco innovation index with 2022 as the reference year. That said, commitment to fostering climate policies remains high. Carbon emissions are to be reduced by 55% by 2030 from 1990 levels. Among other measures, all three regions have committed to the aim of achieving an energy-efficient housing stock with an average EPC rating of A by 2050.

Fiscal Sustainability

The elevated level of public debt and challenges to fiscal consolidation are main weaknesses regarding the sovereign's creditworthiness in our view, notwithstanding phases during which the public debt ratio was significantly reduced in recent decades. While formalized commitment to fixed and variable fiscal efforts is in place, we think that uncertainty over the speed of the government formation and concrete fiscal priorities following the upcoming election entails risks to the path for public finances. Some macro-financial risks relate to house price developments in connection with the financial sector's exposure to the property market. Recent reform measures to the pension system approved by the federal parliament in Apr-24 include steps to moderate age-related costs, but may not be sufficient to sustainably lower respective cost pressure. Sound debt management, as well as a benign debt structure, continue to mitigate fiscal risks to some extent.

Following two years of improvement, Belgium's general government deficit widened to 4.4% last year (2022: -3.6% of GDP, Eurostat). The higher headline deficit was mainly driven by higher expenditure, which mounted by 8.1% y-o-y (2022: 5.9%), whilst measures to cushion the adverse repercussions from the pandemic and the war in Ukraine exerted a lower impact than in 2022, accounting for roughly 0.7% of GDP in 2023 (NBB). Higher spending on social benefits and public wages was boosted by automatic indexation.

Apart from that, considerably higher interest payments compared to 2022 also contributed to a less favorable outcome for public finances, as did rising age-related costs. Interest outlays surged by 37.4% y-o-y, lifting the interest-to-revenue ratio to 4.0%, which remains among the higher levels in the EU, although historically still moderate. At the same time, total general government revenue rose by 6.5% y-o-y in 2023, with increases in tax revenue and net social contributions.

In the current year, higher spending on social benefits and an ageing population is likely to continue to weigh on total expenditure, and interest costs seem set to increase further. Linked to

the international sanctions on Russia, Belgium's corporate tax revenue could be subject to a special effect, and be somewhat distorted by returns related to Russian assets held at Euroclear, which, however, are foreseen to be transmitted to Ukraine as capital transfer, as NBB points out (Dec-23). A rise in the statutory retirement age to 66 years in 2025 could exert a tempering effect on age-related costs next year.

We currently expect Belgium's general government deficit to inch up to 4.6% of GDP this year, and to 4.8% of GDP in 2025. With the new EU economic and fiscal governance framework in force since 30 Apr-24, we gather that a national medium-term structural budget plan will not be presented until the autumn, and that the Apr-24 stability program will be a very limited, indicative one.

Belgium's debt-to-GDP ratio had climbed to 105.2% of GDP at the end of 2023 (2022: 104.3% of GDP, Eurostat), remaining well above its 2019 level of 97.6% of GDP prior to the outbreak of the pandemic. Given our expectations regarding the headline deficit, and with nominal GDP likely to weaken somewhat, the debt ratio is likely to edge up this year and next. At this stage, we forecast respective readings of 105.3% of GDP in 2024 and 106.7% of GDP in 2025.

According to the Draft Budgetary Plan 2024 (DBP24), the maximum amount of contingent liabilities has decreased to 20.9% of GDP, 9.0 percentage points of which were linked to Covid-19. In terms of the estimated take-up, contingent liabilities came to a much more moderate 7.0% of GDP. Guarantees to the financial sector stood at 3.4% of GDP as of 2023.

We would flag some macro-financial risks associated with potentially abrupt price corrections and possible difficulties for households to service their debt in the higher interest rate environment in light of elevated levels of private debt by European comparison (see above). House prices continue to rise in a y-o-y comparison, accelerating to a rate of 3.4% y-o-y in Q4-23 following a phase of slowing dynamics (Eurostat data). That said, lending to the private sector has been less dynamic lately under the impression of tighter financing conditions. Outstanding credit volumes to households for house purchases increased by 2.3% y-o-y as of Mar-24, down from 6.6% y-o-y as of Mar-23. Apart from that, the majority of mortgages is subject to fixed rates.

Moreover, macroprudential levers have been activated for the banking sector. Among others, the countercyclical capital buffer rate was raised to 0.5%, effective from April 2024, and is to rise to 1.0% with effect from October, as NBB confirmed in its Mar-24 decision, in order to address cyclical systemic risks. Overall, Belgium's banking sector continues to give a healthy impression at this stage, drawing on metrics capturing asset quality and capitalization level. As of Dec-23, the NPL ratio was stable at 1.4% (EU: 1.9%, EBA data), while the CET1 (17.8%, EU: 16.0%) ratio pointed to sizeable capital buffers.

The recently published European Commission Ageing Report (Apr-24) underscores fiscal risks pertaining to expenditure for an ageing population. Starting from an unfavorable position compared to most other EU countries in the year 2022, projections regarding Belgium's age-related costs also entail a stronger increase until 2030, as well as with regard to the long term (2070) than in the EU as a whole.

As mentioned above, the pension bill adopted by the federal parliament this April, including a limited pension bonus for working beyond the earliest possible retirement age, an additional condition for obtaining the minimum pension, and a temporary increase in the special social contribution on supplementary pensions may not sustainably lower fiscal pressure from costs

linked to demographics. While we gather that reforms for a financially sustainable pension system are to continue, we reiterate uncertainty over the timing dimension linked to the complex Belgian political system and the approaching election.

Having posted a considerable increase in 2023, interest payments look set to trend upwards over the next few years. The yield on 10-year Belgian government bonds stood at 3.12% as of 26-Apr-24, having trended upward from 2.60% as of 22-Dec-23 (weekly data) and moving well above the average yield over the last ten years. Further out, some relief is to come with regard to our expectation of rate cuts by the ECB from the middle of the current year.

We expect monetary policy rates to be lowered for the first time this June, with the main refinancing rate likely to stand at 3.40% at the end of 2024, compared to 4.50% at present, and bearing in mind that the difference between the main refinancing rate and the deposit rate is to be lowered to 15bp from Sep-24. Having said that, market expectations for imminent monetary policy rate cuts by other major central banks seem to have receded somewhat more recently. We continue to deem very sound debt management and the favorable debt profile, featuring an average life of the debt portfolio of 10.56y as of Mar-24 (2023: 10.44y, Belgian Debt Agency)—among the longest in the euro area—as factors attenuating risks to fiscal sustainability.

Foreign Exposure

While Belgium, as a small and very open economy, is potentially vulnerable to external shocks and disruptions to the international trade environment, we consider these risks as overall limited. Constituting a risk-mitigating factor, Belgium exhibits a highly positive NIIP. The current account balance, which remains subject to some volatility due to MNE activities, has on average shown a moderate surplus over the last ten years.

In 2023, Belgium's current account balance remained in deficit (2023: -1.0% of GDP, Eurostat). While the negative balance regarding goods trade narrowed to –0.6% of GDP on the back of normalizing energy prices, the service balance exhibited a larger deficit compared to the preceding year (2023: -1.1% of GDP). We expect the current account position to move closer to a balanced position going forward, with both exports and imports likely to accelerate in 2025.

Belgium's NIIP stood at 65.2% of GDP 2023, representing the fourth-largest net creditor position in the EU. Partly owing to the presence of MNEs, gross asset and liability positions are pronounced. Compared to 2022, the NIIP increased chiefly due to valuation effects, boosting both the value of net portfolio investment and the value of net direct investment.

Rating Outlook and Sensitivity

Our rating outlook on the Kingdom of Belgium's long-term credit ratings is negative. The outlook mainly reflects persistent uncertainty over fiscal consolidation, currently compounded by some uncertainty over the government constellation and concrete fiscal priorities following the upcoming election.

We could consider a downgrade of the sovereign's credit ratings if fiscal consolidation efforts fail, e.g., reflected in protracted pronounced headline deficits and failure to sustainably lower the public debt ratio from its current elevated level. A significantly deteriorating medium-term growth outlook could contribute to such a scenario, possibly on the back of a further escalation of the wars in Ukraine and/or the Middle East. Stalling reform efforts, possibly due to a lengthy

government formation or lack of political cohesion, could also add to considerations of a downgrade.

A positive rating action could be triggered by increasing confidence in improving fiscal metrics, possibly due to swift consolidation efforts and a credible path for the medium term. Stronger-than-expected economic growth would seem conducive to this, as would accelerated progress regarding structural reforms.

Analysts

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

Analyst
Dina Dexheimer
Analyst Public Finance
D.Dexheimer@creditreform-rating.de
+49 2131 109 3091

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

Ratings*

Long-term sovereign rating	AA / negative
Foreign currency senior unsecured long-term debt	AA / negative
Local currency senior unsecured long-term debt	AA / negative

*) Unsolicited

ESG Factors

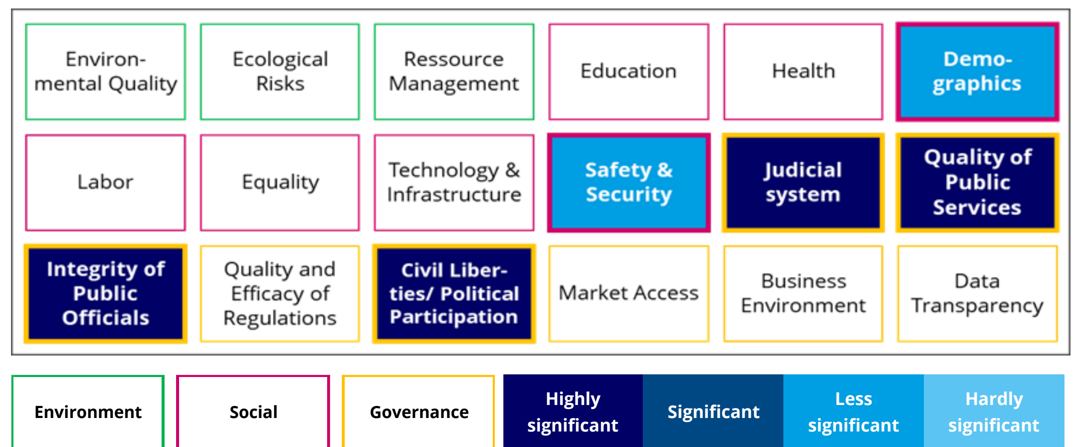
Creditreform Rating has signed the ESG in credit risk and ratings statement formulated within the framework of the UN Principles for Responsible Investment (UN PRI). The rating agency is thus committed to taking environmental and social factors as well as aspects of corporate governance into account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

The social dimension plays an important role in forming our opinion on the creditworthiness of the sovereign. Indicators or projections providing insight into likely demographic developments and related costs represent a social component affecting our rating or adjustments thereof. Hence, we regard the ESG factor 'Demographics' as less significant in our ESG framework. What is more, protracted difficulties in government formation due to the complex political structure and strong regional identities would touch upon the social dimension as well, which is reflected among other things by the WGI "Political Stability" and "Government Effectiveness" and would ultimately affect fiscal performance, so that we regard the ESG factor 'Safety and Security' as less significant.

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	1.8	2.2	-5.3	6.9	3.0	1.4	1.3
GDP per capita (PPP, USD)	52,602	54,412	51,926	57,865	63,459	66,021	68,079
Credit to the private sector/GDP	93.0	93.6	97.4	93.0	90.4	87.6	n/a
Unemployment rate	6.0	5.5	5.8	6.3	5.6	5.5	n/a
Real unit labor costs (index 2015=100)	98.7	98.3	100.6	97.1	97.5	99.9	100.1
World Competitiveness Ranking (rank)	26	27	25	24	21	13	n/a
Life expectancy at birth (years)	81.7	82.1	80.8	81.9	81.8	82.5	n/a
Institutional Structure							
WGI Rule of Law (score)	1.3	1.3	1.3	1.3	1.3	n/a	n/a
WGI Control of Corruption (score)	1.4	1.4	1.4	1.5	1.5	n/a	n/a
WGI Voice and Accountability (score)	1.3	1.3	1.3	1.3	1.3	n/a	n/a
WGI Government Effectiveness (score)	1.2	1.1	1.1	1.1	1.2	n/a	n/a
HICP inflation rate, y-o-y change	2.3	1.2	0.4	3.2	10.3	2.3	3.6
GHG emissions (tons of CO2 equivalent p.c.)	10.8	10.6	9.6	9.9	9.3	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	-0.9	-2.0	-9.0	-5.4	-3.6	-4.4	-4.6
General government gross debt/GDP	99.9	97.6	111.9	107.9	104.3	105.2	105.3
Interest/revenue	4.1	4.0	3.9	3.4	3.1	4.0	n/a
Debt/revenue	194.3	195.6	224.1	218.2	209.9	209.7	n/a
Total residual maturity of debt securities (years)	9.9	10.2	10.4	10.7	10.9	11.0	n/a
Foreign exposure							
Current account balance/GDP	-0.9	0.1	1.4	1.3	-1.0	-1.0	n/a
International reserves/imports	5.9	6.8	8.4	7.9	6.7	7.5	n/a
NIIP/GDP	34.3	40.9	47.3	67.7	57.7	65.4	n/a
External debt/GDP	247.4	257.6	268.5	260.1	237.8	236.8	n/a

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

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	30.09.2016	AA /stable
Monitoring	28.07.2017	AA /stable
Monitoring	29.06.2018	AA /stable
Monitoring	28.06.2019	AA /stable
Monitoring	26.06.2020	AA /negative
Monitoring	18.06.2021	AA /negative
Monitoring	17.06.2022	AA/ negative
Monitoring	19.05.2023	AA /negative
Monitoring	17.05.2024	AA /negative

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, National Bank of Belgium, Statbel, Belgian Debt Agency, Ministry of Finance, Federal Planning Bureau, High Council of Finance.

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".

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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