

# BEST'S COUNTRY RISK REPORT

## Belgium CRT-1

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Belgium is a CRT-1 country, with low levels of economic and political risk and a very low level of financial system risk.
- Strong domestic demand and improved external conditions resulted in higher GDP growth in 2017 of 1.7%. Growth is expected to accelerate modestly in 2018, expanding at 1.9%. Medium term growth is forecast to range from 1.5% to 2.0%.
- Inflation hit 2.2% in 2017 but is expected to moderate to under 2.0% over the medium term.
- A.M. Best categorizes the majority of countries in the map pictured below as CRT-1 and CRT-2. Notable exceptions are many of the Eastern European countries such as Belarus and Ukraine.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

## Regional Summary: Western Europe

- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

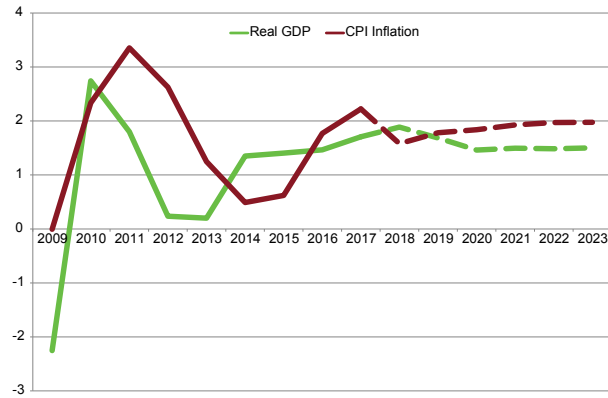
Vital Statistics 2017			
Nominal GDP	USD bn		494.73
Population	mil		11.4
GDP Per Capita	USD		43,582
Real GDP Growth	%		1.7
Inflation Rate	%		2.2
United Nations Estimates			
Literacy Rate	%		n.a.
Urbanization	%		97.9
Dependency Ratio	%		54.2
Life Expectancy	Years		81.1
Median Age	Years		41.4
Insurance Statistics			
Insurance Regulator	Financial Services and Markets Authority		
Premiums Written (Life)	USD mil		17,650
Premiums Written (Non-Life)	USD mil		17,060
Premiums Growth (2016 - 2017)	%		1.1
Regional Comparison			
		Country Risk Tier	
Belgium		CRT-1	
Denmark		CRT-1	
Germany		CRT-1	
Luxembourg		CRT-1	
Netherlands		CRT-1	
Norway		CRT-1	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



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### Economic Growth (%)



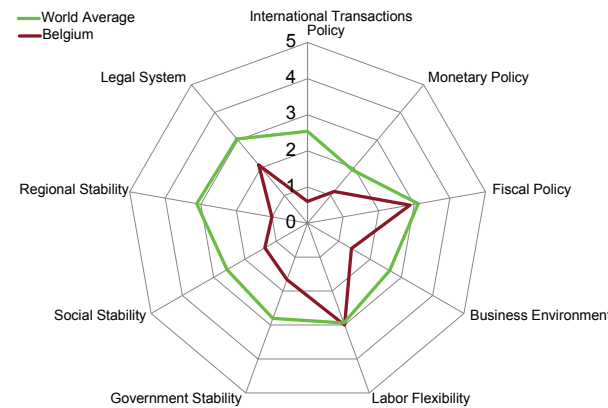
Source: IMF World Economic Outlook and A.M. Best

### Economic Risk: Low

- Belgium's service-based economy is highly diversified. Its sophisticated transportation network has enabled it to become a regional transport hub.
- Because of a lack of natural resources, Belgium needs to import almost all of its energy needs, rendering the country vulnerable to external demand conditions and volatile commodity prices.
- Growth potential is moderated by labor force fragmentation due to regional disparities. Belgium's youth, immigrant, and low-skilled labor populations face high levels of unemployment. Raising employment rates among these disadvantaged groups would accelerate growth.
- Britain's exit from the EU is expected to adversely affect Belgium's trade flows. Britain is one of Belgium's primary trading partners.

### Political Risk Summary

Score 1 (best) to 5 (worst)

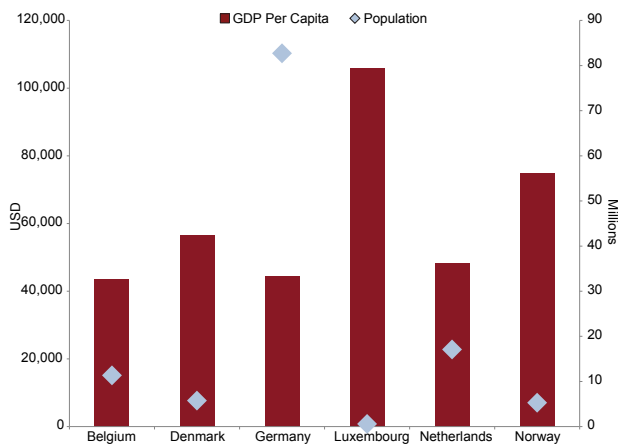


Source: A.M. Best

### Political Risk: Low

- Belgium is a member of the European Union and one of the original 11 countries to adopt the euro as its currency in 1999.
- Politics in Belgium is divided by language, with the political parties split into French-speaking and Flemish-speaking groups. The parties are allowed to campaign only in the part of the country that speaks the respective language.
- The 2018 budget provided for a reduction in the corporate income tax rate from 33% to 29% in 2019 for large corporations. The tax rate is expected to come down further, to 25% in 2020. The lower tax rates have brought Belgium more in line with neighboring countries.

### GDP Per Capita and Population



Source: IMF and A.M. Best

### Financial System Risk: Very Low

- Belgium's insurance industry is regulated by two supervisory authorities, The Financial Services and Markets Authority (FSMA) and the National Bank of Belgium (NBB). The NBB currently regulates approximately 80 insurance entities.
- Belgium underwent an IMF Financial Sector Assessment Program (FSAP) in 2017. An FSAP assesses the stability of the country's financial system. The IMF found that the financial sector remains resilient, but there are growing headwinds that need to be closely monitored.
- Bank credit growth has expanded since 2015, driven largely by residential mortgages. Household debt has been above 100% of disposable income since 2016, with mortgage debt accounting for approximately 90% of debt.
- The IMF noted that insurers in Belgium have significant exposure to sovereign bonds, with approximately half of their total assets in these instruments. Nearly two-thirds of sovereign bond holdings are Belgian bonds. Real estate exposures are also high and consist of mortgage loans issued in the Dutch and Belgian markets.