Netherlands

CRT-1

August 22, 2019

Region: Europe

Country Risk Criteria Procedures

Guide to Best’s Country Risk Tiers

• The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.

• The Netherlands is a CRT-1 country, with very low levels of risk in all three categories. It benefits from its central geographical position in the EU, effective government institutions, political stability, an attractive tax regime for foreign investors, a highly educated workforce, and an advanced infrastructure network.

• The GDP growth rate in the Netherlands is projected to fall from 2.5% in 2018 to 1.8% in 2019. Inflation is expected to rise from 1.6% to 2.3%. The medium-term growth rate for the Dutch economy is expected to be 1.5%.

• AM Best categorizes the majority of countries in the map as CRT-1 or CRT-2. The notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.

### Vital Statistics 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP</td>
<td>USD bn</td>
</tr>
<tr>
<td>Population</td>
<td>mil</td>
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<tr>
<td>GDP Per Capita</td>
<td>USD</td>
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<tr>
<td>Real GDP Growth</td>
<td>%</td>
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<tr>
<td>Inflation Rate</td>
<td>%</td>
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Economic Risk: Very Low

• Trade is a vital part of the Dutch economy. One of the world’s leading exporters of agricultural products, the Netherlands also has strong manufacturing and services sectors. The global economic slowdown, and specifically the slowdown in the German economy, has acted as a headwind to growth.

• The UK is another important trade partner for the Dutch, making the possibility of a “no deal” Brexit potentially harmful. The Dutch government created a EUR 90 million fund to prepare for Brexit fall out. The Dutch Court of Audit predicted that Brexit could cost the economy up to EUR 2.3 billion by 2023.

• Growth is likely to be supported by still strong, albeit declining, domestic demand and an expansionary fiscal policy.

• Wages have yet to significantly grow, despite an unemployment rate of around 3.7%.

• In 2015, the government debt to GDP percentage was about 65%. Its decline to about 52% as of 2019 is due to surpluses in the current account and government budget, as well as the sale of state-owned assets.

Political Risk: Very Low

• Mark Rutte from the People’s Party for Freedom and Democracy is the current prime minister. Rutte’s four-party coalition government no longer holds a majority in the parliament, increasing the difficulty of passing legislation.

• The government is expected to increase spending on defense, education, and infrastructure thanks to a current budgetary surplus. The Netherlands defense spending is currently around 1.2% of GDP but is expected to rise to 2.0%, as agreed upon by NATO nations.

• The government has set up a EUR 4 billion fund to transition the country to clean renewable energy by 2030. Part of this initiative is to shut down all coal plants and reduce emissions by about 49%.

• The country is considered one of the world’s least corrupt, ranking 8th out of 190 countries in the Corruption Perceptions Index.

Financial System Risk: Very Low

• The insurance market and financial markets are regulated by De Nederlandsche Bank (DNB).

• Non-performing loans and bank capitalization are among the lowest in the eurozone, making the banking industry one of the more robust in the region.

• Corporations and households in the Netherlands are in the process of lowering debt, although the IMF reports that progress has lagged. Housing affordability remains a challenge.

• Tax breaks to multinational companies have made the Netherlands an attractive location for international holding companies.