

BNLX+ Financials: Fasten your seatbelts



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Executive summary

Selected themes in the BeNeLux

1. Covid-19 and the eurozone economies in 2021: darkest before dawn?

The coronavirus continues to elevate economic uncertainty in the eurozone, where vaccine rollouts and lockdowns remain important drivers. While the Dutch economy shows above-average resilience, Belgium is maintaining the middle ground.

2. Outlook 2021 for Belgian and Dutch housing markets After a strong performance in 2020, house price rises are likely to cool down in 2021. Covid-19 related uncertainties for the housing market are still greater than ever.

3. Loan demand after the pandemic: low expectations With economies recovering from lockdowns, and entrepreneurs assessing the financial damage, we expect business demand for bank loans to remain weak. Household demand for mortgages may hold up relatively well, but in the Netherlands, most of this demand is channelled to non-bank lenders.

4. Risks in the loan book: trouble ahead, but manageable Government support packages keeping businesses afloat are not forever. An increase in NPLs is a question of 'when not if'. Yet Benelux banks look well-positioned to cope.

5. Sustainable markets: Benelux banks, bothered by buildings?

The European Commission's draft technical screening criteria for green buildings will not necessarily be a major game-changer for green bond supply. However, they could become increasingly important to the relative performance of green bonds. Dutch green bank bonds seem well positioned should the A EPC label criterion stay.

6. Benelux banks: Strategy

The Belgian preferred senior unsecured segment is our favourite pick given the performance potential versus peers, including Dutch senior unsecured bonds.

Netherlands, Belgium and Luxembourg economics

- **Netherlands:** After a further decline at the start of the year, Dutch GDP is projected to return to 98-99% of the pre-Covid-19 peak by end-2021, depending on effective vaccination policies.
- **Belgium:** Private consumption and government spending and investments are likely to be the main drivers of the 2021 recovery in Belgium. The need to stabilise the public deficit could be a constraint on growth afterwards.
- **Luxembourg:** Outperforming the euro area once again, thanks to its specialisation in the finance industry, it should recover faster than most of its eurozone partners.

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