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COVER NOTE

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date of receipt:	29 April 2016
To:	Mr Carsten PILLATH, Director General, Council of the European Union
Subject:	Stability Programme of the Netherlands - 2016

Delegations will find attached Stability Programme of the Netherlands - 2016 in English.

Stability programme the Netherlands

April 2016

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Foreword

Programme status
The European Commission requires national parliaments to be fully involved in compiling national Stability Programmes. A draft of this Stability Programme has been submitted to both houses of parliament. On 19 April a debate took place in the Lower House and on 26 April a consultation took place in the Upper House, pursuant to the wish of both houses to have an opportunity to voice an opinion before the Stability Programme is submitted to the European Commission.

Furthermore, a draft of the Stability Programme was presented to the Council of State, the supervisory body in the Netherlands charged with monitoring compliance with the European budgetary rules. This role follows from Article 5 of the Treaty on Stability, Coordination and Governance (TSCG) and Council Regulation (EU) 473/2013, and has been codified in the Sustainability of Public Finances Act ('Wet HOF').

Relationship to 'two-pack'
The Stability Programme also serves as a national medium-term budget plan. As such the Netherlands complies with the obligation as defined in Article 4 of Council Regulation (EU) 473/2013.

Relationship to the National Reform Programme
The Stability Programme focuses on macroeconomic developments, the development of Dutch public finances and planned budgetary policy. The National Reform Programme focuses foremost on measures and structural reforms in view of country-specific recommendations for the Netherlands under the European Semester and on progress of the objectives in respect of the Europe 2020 strategy. Nevertheless, the contents of the National Reform Programme and the Stability Programme show some overlap, for example, in the field of macroeconomic prospects. Where relevant, and to minimise such overlap, these documents refer to each other.

Figures used
Unless indicated otherwise, the figures used in this report are based on the Central Economic Plan (CEP), the most recent economic projections by the Netherlands Bureau of Policy Analysis (CPB) published on 21 March 2016. The figures for 2015 related to public finances, which were also reported in the April Notification to the European Commission, have been adjusted as a result of actual figures reported by Statistics Netherlands (CBS) on 25 March. This is indicated in the relevant tables.

Dutch versus English version
In case of any discrepancies between the Dutch and the translated English version of this Stability Programme, the former shall prevail.

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Summary

This Stability Programme (SP) presents an update of the Dutch budgetary policy, in conformity with provisions of the Stability and Growth Pact (SGP).

In 2016 Dutch public finances show a better picture than a number of years ago. This is due to measures taken by the government in recent years to bring public finances in order and to strengthen the economy. After years of budgetary consolidation, in 2016 the government reduced the tax burden on labour, especially for lower and medium incomes. In addition, the government has taken specific measures to improve purchasing power in order to allow all income groups to benefit from the improving economy.

According to latest projections the general government balance for the Netherlands will improve from -1.8% of GDP in 2015 to -1.7% in 2016 and -1.2% in 2017. Higher tax revenues as a result of the ongoing recovery of the economy and reduced public expenditures due to the decline of unemployment and continued low interest expenditures on outstanding public debt contribute to the improvement of the general government balance. On the other hand, reduced income from natural gas (as a result of a drop in both price and production volume) have led to lower government revenues, and additional costs for sheltering asylum seekers have led to higher expenditures in 2017 compared to 2015. The net result is a projected improvement of the general government balance by 0.1% from 2015 to 2016, and by 0.5% from 2016 to 2017. The Netherlands will thus remain well clear of the 3% excessive deficit reference value. Based on the current CEP, the structural government balance amounted to -1.0% of GDP in 2015. The CEP projection shows a structural balance of -1.6% for 2016, and -1.2% for 2017.

The Dutch general government debt is forecast to continue the declining path that began in 2014: gross government debt is expected to decrease from 65.1% of GDP in 2015 to 64.1% in 2017.

The Netherlands is fully committed to European budgetary agreements. The Netherlands will adhere to its regular national budgetary framework, which is aimed at maintaining revenue and expenditure ceilings. In this way, the Netherlands will remain within the permitted margins of European budgetary rules under the preventive arm of the SGP, based on the CEP projections.

Chapter 1: Overall policy framework and objectives

The requirements arising from the preventive arm of the SGP currently apply for the Netherlands. The preventive arm requires that Member States comply with the medium-term budgetary objective (MTO), which prescribes a minimum structural balance to be realised in the medium term. Member states who do not comply with this balance yet, must annually show sufficient improvement in their structural balance towards the MTO. Furthermore, Member States must comply with the expenditure rule, which prescribes that non-cyclical expenditure growth, insofar as this is not compensated by a policy-related increase in revenues, must lag behind (if the MTO has not been reached yet) or is equal to (if the MTO is reached) the potential growth rate of the economy.

The minimum target for the MTO that Member States must strive for is determined by the Commission's calculations and agreements made by Member States in the Treaty on Stability, Coordination and Governance in the EMU (the so-called 'Fiscal Compact'). In its calculations, the Commission takes country-specific sustainability considerations into account. The Commission recently updated its calculation of the minimum MTOs for all Member States. For the Netherlands the calculation led to a minimum MTO of -1.0% of GDP. This, however, is not the MTO that is binding for the Netherlands. Member States that have signed the Fiscal Compact have committed themselves, after all, to an MTO of at least -0.5% of GDP.[1] For the coming period (2017-2019), the Netherlands will therefore set the MTO at a structural balance of -0.5% of GDP.

Finally, as is the case for all Member States, the Netherlands is obliged to reduce the general government debt to below 60% of GDP, in conformity with the SGP's debt rule.

The government's budgetary policy is supported by measures geared towards enhancing structural economic growth. For an overview of the government's reform programme progress, reference is made to the National Reform Programme. This provides an extensive description of the manner in which the government fulfils country-specific recommendations for the Netherlands in terms of the European Semester, and in which progress regarding the objectives relating to the Europe 2020 strategy is also addressed.

[1] Except for Member States whose debt levels are significantly below 60% and who are judged to have minor long term sustainability risks. In that case the limit is -1.0% of GDP.

Chapter 2: Economic outlook

The Dutch economy is growing steadily. According to the most recent forecast by the CPB, the Dutch economy will grow by 1.8% in 2016 and by 2.0% in 2017. The economic growth is broad based and both domestic spending and exports provide a positive contribution. Unemployment is expected to continue to fall to 6.3% in 2017; underlying this decline both employment and labour supply are projected to increase.

Introduction

This chapter explains the macroeconomic prospects for the Dutch economy. The Netherlands has a small open economy and is therefore highly dependent on international economic developments. For this reason this chapter first addresses the outlook for the international economy. Subsequently the prospects for the Dutch economy and labour market are discussed for this and next year.

International developments and external assumptions

The Netherlands has a small open economy and is therefore highly dependent on economic developments abroad. For forecasts of the Dutch economy it is necessary to have an international outlook and to make various technical assumptions. In the CEP forecast, in an external environment subject to various uncertainties, the global economy is projected to grow by 2.9% in 2016 and 3.2% in 2017. World trade relevant to the Netherlands is recovering and is projected to increase by 3.6% in 2015, 3.8% in 2016 and 4.4% in 2017. That means that growth, particularly in developed economies, is continuing. Risks in the external environment are mainly on the downside. These relate to uncertainty about growth of emerging economies and the strong decrease of the oil price. The technical assumptions for the short term include a further decrease in the price of raw materials, and crude oil in particular. The oil price (Brent) falls further from 52.5 US dollars per barrel in 2015 to 31.7 US dollars in 2016. In 2017 the oil price is projected to rise to 37.7 US dollars per barrel. The forecasts furthermore assume that the exchange rate of the euro against the US dollar will drop marginally in 2016 to 1.09, and remain unchanged in 2017 relative to 2016. Despite downward risks, international developments continue to contribute in a positive manner to the growth of the Dutch economy.

Table 2.1 External assumptions

	2015	2016	2017
Short-term interest rate (annual average)	0.0	-0.1	-0.1
Long-term interest rate (annual average)	0.7	0.6	0.6
USD/EUR exchange rate (annual average)	1.11	1.09	1.09
Nominal effective exchange rate*	-2.1	2.9	0.2
Worldwide GDP growth	2.8	2.9	3.2
EU GDP growth	1.5	1.6	1.7
Relevant world trade	3.6	3.8	4.4
Oil price (Brent, USD/barrel)	52.5	31.7	37.7

* Percentage changes in respect of a basket of competitors

Economic outlook

The Dutch economy is projected to grow steadily by 1.8% in 2016 and by 2.0% in 2017. This growth follows a growth rate of 1.0% in 2014 and 2.0% in 2015. In 2015 GDP once again reached the level of 2008. It is also worth noting that from 2015 to 2017 domestic spending has increasingly supported growth. In prior years economic growth was mainly dependent on exports.

Table 2.2 Macroeconomic prospects

	ESA code	2015	2015	2016	2017
		Level (€ billion)	rate of change	rate of change	rate of change
1. Real GDP	B1*g	679.1	2.0	1.8	2.0
2. Nominal GDP (€ billion)	B1*g	679.1	2.5	2.9	2.9
Components of real GDP					
3. Private consumption expenditure	P.3	301.7	1.6	1.6	2.0
4. Government consumption expenditure	P.3	170.1	-0.3	2.0	0.2
5. Gross fixed capital formation	P.51	132.6	10.3	4.8	3.2
6. Changes in inventories (Δ)	P.52+P.53	-3.7	-0.6	0.2	0.2
7. Exports of goods and services	P.6	555.4	4.2	3.6	4.1
8. Imports of goods and services	P.7	477.0	4.9	5.0	4.5
Contributions to real GDP growth					
9. Total domestic demand		604.3	2.4	2.1	1.6
10. Changes in inventories (Δ)	P.52+P.53	-3.7	-0.6	0.2	0.2
11. External balance of goods and services	B.11	78.4	0.0	-0.5	0.2

The growth figure of real GDP for 2015 is brought up to date based on actual Statistics Netherlands (CBS) figures.

For this and next year, exports continue to provide a positive contribution to economic growth. In 2016 exports are projected to increase by 3.6%. Due to the recovery of relevant world trade, export growth will accelerate to 4.1% in 2017. Chapter 4 looks at the consequences for Dutch exports and the economy of a scenario where growth of the global economy falls short of current expectations.

Investments are foreseen to increase by 6% this year, after an increase of 7.2% last year. Both business investments and investments in housing are expected to rise. Business investments increase due to various factors. First of all, the level of capacity utilisation has increased in recent years. To keep pace with the growth of demand, producers must allow their production capacity to increase. Secondly, the profitability of businesses has improved, partially as a result of the fact that low prices for raw materials and energy have not been fully passed on in final prices. Thirdly, low interest rates enhance long term profitability of investments. Housing investments are related to the ongoing recovery of the housing market and the increase in the number of housing transactions in recent years.

In 2016 and 2017 private spending by households is projected to grow by 1.6% and 2.0%, respectively. In 2016 private spending is expected to be higher due to an increase in real wages, the strengthening of the job market and the (labour) tax relief package of € 5 billion. Not all the extra income will be spent immediately: a portion will be saved and will be spent in the future. This will have a positive effect on household spending in 2017. Positive capital formation due to a recovering housing market and the strengthening job market will also support higher spending next year.

To summarise, in coming years broad-based economic growth will be supported by both domestic spending and by exports.

Labour market

Unemployment is falling slowly but steadily from a level of 6.9% in 2015 to 6.5% in 2016 and 6.3% in 2017. The underlying supply of and demand for labour is increasing, but the increase in demand is greater. Rising production gradually is gradually being translated into a strengthening job market. In 2016 employment (in terms of the number of workers) is projected to grow by 1.1% in 2016 and 1.0% in 2017. At the same time the working population is projected to increase by 0.3% in 2016 and by 1.2% in 2017 due to policy measures such as labour tax relief measures, the increase of the statutory retirement age, and due to the background trends such as the higher workforce participation rate of women and older workers.

Table 2.3 Labour market developments

	ESA code	2015	2015	2016	2017
		level	rate of change	rate of change	rate of change
1. Employment, persons (x 1.000)		8811.5	0.8	1.1	1.0
2. Employment, hours worked		12,503.0	0.8	1.3	0.9
3. Unemployment (% of the working population)		614.0	6.9	6.5	6.3
4. Labour productivity, persons		77.1	1.1	0.7	1.0
5. Labour productivity, hours worked		54.3	0.8	0.4	1.1
6. Compensation of employees	D.1	334.6	1.8	3.6	3.0
7. Compensation per employee (€)		38.0	1.2	2.2	2.1

Chapter 3: Budget balance and government debt

The favourable economic developments and the deficit reduction measures taken in the past few years have ensured that Dutch public finances will continue to improve in forthcoming years. The general government balance is expected to be -1.7% of GDP in 2016 and -1.2% of GDP in 2017. The Netherlands has thus sustainably distanced itself from the SGP's reference value of 3% of GDP. The gross government debt continues its declining path and is expected to fall to 64.1% in 2017. Ahead of the regular budgetary process in the spring, the structural balance is expected to stand at -1.6% of GDP in 2016 and -1.2% of GDP in 2017. Based on CEP projections, corrected public expenditures are assumed to have fallen by 0.6% in 2015 and are expected to increase by 1.2% and 1.0% in 2016 and 2017, respectively.

Introduction

This chapter describes the policy strategy regarding public finances and provides an overview of the development of the budget balance and government debt in the short and medium term.

Policy strategy

One of the most important elements of the Netherlands' budgetary policy is adhering to real net expenditure ceilings. To this end, the threshold of permitted growth of real public expenditures is determined at the beginning of the government's term in office. The focus on expenditure ceilings has in the past proven to be an effective means of ensuring sustainable public finances. Every cabinet minister is financially responsible for the expenditures in his or her policy field. This system is seen to be clear, credible and predictable.

At the beginning of the current government's term, extensive packages of deficit-reducing measures were implemented to secure the long-term sustainability of public finances. Since the Rutte-Asscher Coalition Agreement, the impact of policy packages is an ex-ante improvement of the general government balance by € 15 billion in 2015 and by € 18 billion in 2016. In 2016 the government designated a portion of the improvement of the general government balance for a specific measures to reduce the tax wedge on labour by € 5 billion in structural terms. The measures in this € 5 billion package allow the government to follow up recommendations from the European Commission, and the Organisation for Economic Cooperation and Development (OECD) to structurally reduce the high tax wedge on labour.

Budgetary forecast for the short and medium-term

CPB projections in the 2016 CEP are used as the starting point for this Stability Programme. The economic outlook in the CEP projection also provides the basis for the decision-making process for the budget of 2017. CEP projections assume no policy change. That means that no account is taken of any additional efforts to adhere to the fiscal frameworks. However, the starting point for budget preparation is adherence to the regular national fiscal framework. Application of this fiscal framework will improve the general government balance, structural balance and corrected public expenditure in 2017 relative to the CEP projections. By doing so the Netherlands will stay within the permitted margins of the European budgetary rules, based on current projections.

Box: The Dutch fiscal framework

The government applies a trend-based fiscal framework within the boundaries of the European budgetary agreements. Important elements of the Dutch national fiscal framework are:

- Control of expenditures using real net expenditure ceilings based on the multi-year expenditure forecast as laid down at the time of the Coalition Agreement.
- Macroeconomic stabilisation of the economy via revenues and control of taxes and social health insurance premiums for citizens and businesses, using a revenue

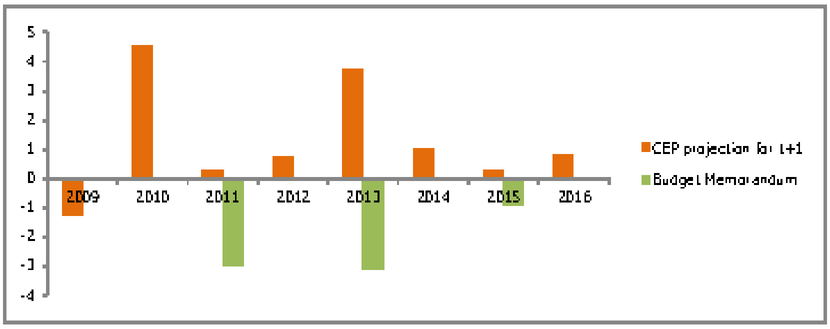
framework based on the policy-related increase in the tax burden as determined at the time of the Coalition Agreement. This revenue framework is not a maximum, but rather a predetermined level of the tax burden. That means that an increase in taxes (including social health insurance premiums) in one area, relative to the level determined in the Coalition Agreement, should be compensated by tax relief elsewhere (and vice versa). Developments in revenues themselves are considered to be endogenous. These revenue fluctuations will influence the general government balance.

- Distinction between revenues and expenditure. This distinction is the result of keeping the expenditure framework and the revenue framework separate. This distinction makes even more explicit that additional expenditures must be fitted in under the expenditure framework, and tax relief or additional revenue increases must be compensated within the revenue framework.
- A main decision-making moment for the expenditure side of the budget in the spring, based on the CPB's Central Economic Plan (CEP), and a decision-making moment for the revenue side and purchasing power based on the CPB's (draft) Macro Economic Outlook (MEV) in August.

These elements are described in budgetary rules that were agreed to at the start of the government's term in office, and were published as an annex to the Coalition Agreement. The regulations pertaining to budgetary discipline also form part of the budgetary rules. These regulations have existed for a long time and were already maintained long before the start of the trend-based budgetary policy in 1994. The most well-known rules are that overspending of a department's budget must be compensated, and that this compensation must in principle take place within the same budget as where the overspending occurs. Windfalls may not be used to finance increased policy expenditures.

Figure 3.1 shows the forecast overspending of the expenditure ceilings in the CEP, published in March, and the Budget Memorandum, published six months later, for the period 2009-2016. This figure shows that over this time period, due to policy adjustments (amongst other things), overspending forecast in the CEP was consistently resolved by the time the Budget Memorandum was published.

Figure 3.1 Expenditure framework in € billions (- is deficit)*



*As a result of the crisis in 2009 and 2010, a package of stimulus measures, increased unemployment expenditures and changes in government prices relative to the national price level were excluded from the frameworks. If the overspending amounts to exactly 0, then no bar is visible.

The government's decision making on the budget takes place in the months of March and April. The results, insofar as they relate to 2016, are communicated to parliament by way of the Spring Memorandum on or before 1 June. The implications for the year 2017 and beyond are presented in the Budget Memorandum, which is published during the 'State opening of Parliament' in September.

In recent years the Netherlands has convincingly proven that it is committed to European budgetary rules. At various points in time over the past few years, packages of measures have been introduced to improve the long-term sustainability of public finances. Nearly all these measures have subsequently been codified in legislation. The total ex-ante general government balance improvement as a result of these measures amounts to € 42 billion in 2016 and increases to € 46 billion in 2017. The increase of € 4 billion between 2016 and 2017 mainly stems from the cumulation of measures in the Rutte-Asscher Coalition Agreement. This is shown in table 3.1.

Table 3.1: General government balance improvement of policy packages (in € billion)

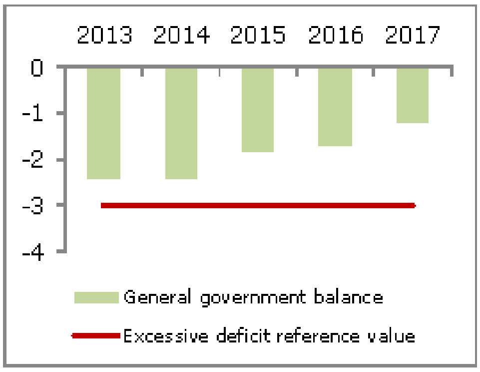
	2015	2016	2017
1. Coalition Agreement Rutte-Verhagen	-18	-19	-19
2. 2013 Budgetary Agreement	-8	-10	-10
3. Coalition Agreement Rutte-Asscher (incl. Zijlstra-Samsom motion and Social Agreement)	-10	-13	-16
4. Housing market package	0.2	0.2	0.3
5. Additional package (incl. 2014 budgetary agreements)	-6	-6	-6
6. Tax-relief measures		5	5
7. **Total ex-ante general government balance improvement**	**-42**	**-42**	**-46**

Measures which cause high cumulation on the expenditure side include the overhead reduction target for the central government (including autonomous administrative authorities) and general agreements ('hoofdlijnenakkoorden') in healthcare; the adjustment of the Witteveen accrual rate for pension savings accounts for the largest improvement on the revenues side.

Actual general government balance

The general government balance has consistently improved in recent years. Improvement will continue in the coming years. The CEP projects the budget deficit to drop further from 1.8% of GDP in 2015 to 1.7% in 2016 and 1.2% in 2017. The reduction of the budget deficit is mainly due to recovering economic growth which leads to higher government revenues and lower unemployment benefits. The general government balance thus remains well below the excessive deficit reference value of 3% of GDP. Figure 3.2 shows the development of the general government balance in recent years.

Figure 3.2 Development and projection of general government balance (% of GDP)



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Relative to the Draft Budgetary Plan (DBP) submitted in September 2015, the general government balance for 2015 is somewhat more positive. This is mainly due to tax revenues being higher than previously expected, and is achieved despite decline in natural gas revenues. The decline in natural gas revenues is a result of both a reduction of gas production and a decreasing gas price. Together with higher costs for sheltering asylum seekers, this ensures that the general government balance for 2016 is somewhat more negative than forecast in the DBP.

Structural balance

In the medium-term the Netherlands is aiming for a structural balance of -0.5% of GDP[2].

Relative to the DBP of 2015, the structural balance in 2015 improves by 0.2 percentage points, and deteriorates by 0.3 percentage points in 2016. Hence the structural balance in 2015 is now projected to reach -1.0% of GDP and to deteriorate to -1.6% of GDP in 2016. This deterioration is partially due to the fact that the economy is growing relatively more than the actual general government balance is improving. In addition, there is a one-off correction for the Own Resources Decision amounting to 0.3 percentage points. In 2017, improvement of the general government balance will be compensated by economic growth and a closing of the output gap, which is why the structural balance will barely change according to CEP calculations. Since there is no one-off correction in 2017, the structural balance is nevertheless projected to improve to -1.2% of GDP.

Development of expenditure in relation to the expenditure rule

According to the expenditure rule the rate of increase of corrected public expenditures may not be higher than potential growth rate of the economy, corrected for a set budgetary effort. This set budgetary effort is derived from the development of the structural balance, and aims to make public finances sustainable in the medium-term. As a result of adhering to its regular national fiscal framework, the Netherlands will also remain within the margins of the European budgetary rules relating to the expenditure rule.

Gross government debt

Table 3.2 reflects the extent and development of the gross government debt. At the time that the CEP projection was published, it was assumed that gross government debt amounted to € 449 billion at the end of 2015, which corresponds with a debt ratio of 66.3% of GDP. According to the CEP gross government debt decreases to 65.4% of GDP in 2016 and to 64.1% in 2017. The decrease in gross government debt is the result of an improvement in the primary balance, amongst other things, and the sale of a portion of the shares of the nationalised bank ABN AMRO. In addition, the debt level falls as a result of a pick-up of economic growth: higher growth of nominal GDP ensures that debt, expressed as a percentage of GDP, falls (denominator effect). Figure 3.3 shows the development of the debt level in recent years.

Since the publication of the CEP it has become clear from Statistics Netherlands (CBS) figures that government debt amounted to € 442 billion in 2015, equal to 65.1% of GDP at the end of 2015.

The debt level is therefore oriented on a downward path towards the 60% reference value, in compliance with the debt criterion. The medium-term outlook of the CPB projects that government debt will fall below 60% in 2019.

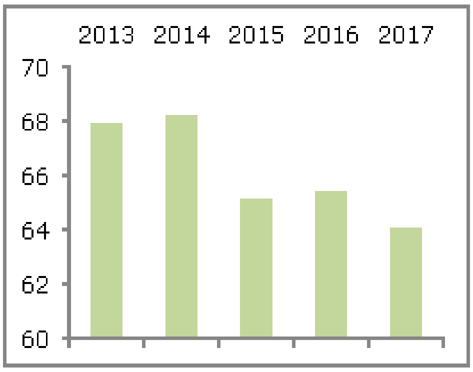
[2] This is explained in more detail in chapter 1.

Table 3.2 The development of gross government debt

in % of GDP	ESA Code	2015	2016	2017
1. Gross debt		**65.1**	**65.4**	**64.1**
2. Change in gross debt ratio		-3.1	0.3	-1.4
3. Primary balance		-0.6	-0.5	0.0
4. Interest expenditure	EDP D.41	1.2	1.2	1.2
5. Stock/flow adjustment		-5.0	-1.4	-2.5
of which:				
- Differences between cash and accruals		0.2	-0.2	0.0
- Net accumulation of financial assets		-3.5	0.7	-0.7
of which:				
- Privatisation proceeds		-0.6	..	..
- Denominator effect		-1.6	-1.9	-1.9

The figures have been adjusted based on realisations of gross government debt by Statistics Netherlands (CBS) for 2015. These CBS figures were not included in CEP projections for the government debt of 2016 and 2017. This accounts for the rise in debt level between 2015 and 2016.

Figure 3.3 Development and projection of gross government debt (% of GDP)



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Chapter 4: Sensitivity analysis and comparison with previous update

Compared to the Stability Programme of April 2015, the projections of a few macroeconomic variables have been adjusted. Forecasts for economic growth are currently somewhat more favourable. Gross government debt decreases significantly more quickly than presumed in April 2015. The actual development of these variables, is sensitive to external economic shocks, including developments of the global economy and share prices. In order to provide a better insight into these effects for the economy and for public finances, this chapter describes two alternative scenarios.

Introduction

This chapter describes how forecasts of economic growth, the general government balance and gross government debt differ relative to the previous update of the Stability Programme (April 2015). Subsequently the implications of two alternative scenario's are examined.

Comparison with Stability Programme of April 2015

Table 4.1 shows how current forecasts for GDP growth, the general government balance and gross government debt have been adjusted relative to projections in the previous Stability Programme. The current forecasts underline that economic growth in 2016 remains unchanged relative to forecasts of a year earlier. In 2017 the economy is projected to grow a little faster than in the previous forecast. The general government balance has deteriorated for the period 2015-2017 compared to figures in the previous Stability Programme. This rise in budget deficit is largely explained by reduced revenues accruing from natural gas and the € 5 billion tax-relief measures. In the same period, gross government debt has improved considerably relative to figures in the previous Stability Programme. This improvement is mainly a result of the higher projections fo economic growth (the so-called denominator effect), the sale of the first portion of ABN AMRO shares, and the larger positive balances that were kept in reserve at the State Treasury by local and regional governments.

Table 4.1. Divergence from Stability Programme 2015

in % of GDP	ESA Code	**2015**	**2016**	**2017**
Real GDP growth				
Update April '15		1.7	1.8	1.6
Current update		2.0	1.8	2.0
Difference		+0.3	0.0	+0.4
General government balance	EDP B.9			
Update April '15		-1.8	-1.2	-0.7
Current update		-1.8	-1.7	-1.2
Difference		0.0	-0.5	-0.5
Gross government debt				
Update April '15		68.8	67.8	67.0
Current update		65.1	65.4	64.1

Difference		-3.7	-2.4	-2.9

The growth figure of real GDP for 2015 has been brought up to date based on Statistics Netherlands (CBS) figures.

Alternative scenarios and risks

The Netherlands is a small open economy which is sensitive to developments in the global economy. Via relevant world trade, shocks in the global economy have an effect on the Dutch economy. A drop in share prices also has consequences for Dutch economic growth, among other things via wealth effects and the impact on business investments. The sensitivity analyses below show how the economy could develop relative to the baseline in the CEP into two alternative scenarios, which are caused by an external economic shock. Both scenarios assume that the economic shock occurs at the start of 2016, and subsequently presents the effects of that shock for the period 2016-2017. The first scenario is derived from and presented in the 2016 CEP. The second scenario has been drawn up by the Ministry of Finance, based on a background document for SAFFIER (CPB's model for short-term projections, medium-term scenarios and analyses of Coalition Agreements and policy options).[1]

Alternative scenario 1: Uncertain world

In the latest forecast the CPB indicated downside risks in the development of the global economy. The CPB illustrates the consequences for the Dutch economy of these downward risks with an alternative scenario. In this scenario spending in large developed countries increases by 1% of GDP less than in the CEP baseline, and by 2% of GDP less in China.

Lower spending abroad impacts the Dutch economy mainly via reduced growth of relevant world trade and its negative impact on Dutch exports. In consequence, economic growth in the Netherlands is 0.2 percentage points lower in 2016, and 0.5 percentage points lower in 2017. This means that economic growth in this scenario would be 1.6% in 2016 and 1.5% in 2017. The model also shows the delayed effect of this scenario on business investments and spending by private households. Where capital formation and spending by households are not affected in 2016, capital formation shrinks by 1.5% and private spending falls by 0.2% in 2017. Finally, unemployment and the budget deficit both increase by 0.1% in 2016 and 0.3% in 2017.

	Deviation to basic scenario 2016	**Deviation to basic scenario 2017**
Relevant world trade	-0.9	-1.4
Volume of GDP	-0.2	-0.5
Private consumption	0.0	-0.2
Capital formation, (including inventories)	0.0	-1.5
Export of goods, excluding energy	-0.7	-1.2
Inflation	-0.1	-0.5
Unemployment rate (% working population)	0.1	0.3
General government balance (% of GDP)	-0.1	-0.3

[1] See also: CPB, 2011, SAFFIER II Alternatives, background document to SAFFIER II (CPB document 217)

Alternative scenario 2: Downward trend in share prices

Uncertainties in the global economy could also have repercussions in financial markets. Table 4.3 shows a scenario with a permanent drop of 20% of share prices in comparison with the baseline. This scenario focuses on the share capital of households. In this scenario, no account is taken of the adverse effect on the financial position of pension funds, in which decreasing assets of pension funds lead to an increase in pension premiums and therefore to lower disposable income. In the short term a lower level of the share capital of households leads to less spending by households via a negative wealth effect. In addition, business investments are falling. Growth of GDP in 2016 is not noticeably impacted yet, but in 2017 it decline by 0.1% relative to the baseline. The effect on the general government balance in 2016 is almost nil, whereas the general government balance in 2017 deteriorates by 0.1%.

Table 4.3 - Alternative scenario 2: decline in share prices by 20% (deviations in %)

	Deviation to basic scenario 2016	**Deviation to basic scenario 2017**
Volume of GDP	0.0	-0.1
Private consumption	-0.1	-0.1
Business investments, excluding housing	-0.1	-0.2
Export of goods, excluding energy	0.0	0.0
Inflation	0.0	0.0
Unemployment rate (% of working population)	0.0	0.0
General government balance (% of GDP)	0.0	-0.1

Chapter 5: Sustainability of public finances

In recent years the Netherlands has taken policy measures to improve the long-term sustainability of public finances. In the spring of 2014 the CPB published a new sustainability study. The study was updated in the spring of 2016 and published together with the Medium-term Outlook at the end of March. In this current version of the study, the sustainability surplus amounts to 0.7% of GDP. Sustainability of EU Member States, including the Netherlands, has also been closely examined by the European Commission. This chapter provides an overview of the results of both reports. The outstanding exposure of the government's contingent liabilities has fallen since 2013.

Introduction

This chapter provides an explanation of the calculation of the sustainability balance by the CPB and the European Commission, and of forecasts of government expenditures and revenues until 2060. An overview is subsequently provided of contingent liabilities of the Dutch government, pursuant to European budgetary rules.

Sustainability balance

The sustainability of public finances is assessed on the basis of the so-called sustainability balance. This balance shows whether future tax revenues are sufficient to cover future government expenditures (including expenses for interest on outstanding government debt). In case of non-sustainable public finances, government debt continues to rise, and spirals out of control in the long term. Notably, the sustainability balance itself says nothing about debt developments over the time period under consideration, or at which level government debt will possibly stabilize.

In order to be able to quantify the sustainability of public finances, assumptions must be made about future developments. In calculating the sustainability balance, the assumption of 'constant arrangements' plays an important role. This assumption implies that future generations can benefit to a similar degree from public services at a constant tax burden (as a percentage of GDP) as is faced by present generations. 'Constant arrangements' are different from an unchanged policy. An unchanged policy would imply that, under the assumption that personal incomes continue to rise, in the long term everyone would end up in the highest tax bracket and the tax burden would therefore increase. In contrast, in the case of 'constant arrangements' the tax burden, expressed as a percentage of GDP, will remain the same.

Demographic developments influence the development of public expenditures and revenues. Table 5.1 illustrates that in the future the share of people aged 65 and over in the total population will increase. Public pension expenditures (AOW) and healthcare expenditures (both long-term as well as curative) will increase between 2010 and 2060. This increase will occur despite previous reforms implemented intended to control the increase of expenditures in the area of healthcare and pensions. But by the same token, government revenues rise in the same period as a result of greater private spending and lower savings. Dissaving will take place due to an ageing population as more pensions are paid out than are being accrued by younger generations. Table 5.1 also shows that the labour force participation rate for those aged 15 to 64 will increase. For those aged 55 and over the labour force participation rate will also continue to rise due to an increase of the statutory retirement age and the phase-out of pre-pension schemes. The labour force participation rate of those aged 65 and over will also rise due to the increased statutory retirement age.

In the CPB's updated sustainability study of March 2016 the sustainability balance amounts to 0.7% of GDP. This modest sustainability surplus means that public finances are sustainable, which means that the debt level will stabilize under the assumption of consistent arrangements. It is important to underline that these results are highly dependent on assumptions, as is also emphasized in the sensitivity analyses in a previous CPB population ageing survey.[4] In one of these sensitivity scenarios, healthcare costs rise 1 percentage point per annum more quickly than in the

[4] CPB, 2014, *Minder zorg om vergrijzing*, CPB Book 12

reference scenario. This leads to a deterioration of the sustainability balance by 5.6% of GDP. This illustrates the importance of controlling healthcare expenditures for the long-term sustainability of public finances.

The current sustainability surplus is considerably more favourable than the sustainability gap of 4.5% of GDP in 2010.[5] In the subsequent period, many sustainability-improving reforms have been implemented. The statutory retirement age will be raised further in the future, and future healthcare expenditures will rise more slowly than what was reflected in the calculation of the sustainability gap in 2010.

Table 5.1 Sustainability of public finances

in % of GDP	2010	2020	2030	2040	2050	2060
Total expenditure	48.2%	42.2%	42.1%	43.9%	43.4%	42.6%
of which:						
Age-related expenditure	20.8%	21.4%	22.2%	25.2%	25.3%	25.1%
Pension expenditure	6.2%	6.6%	6.8%	7.8%	7.5%	7.3%
Social security expenditure	11.7%	11.3%	11.1%	12.2%	11.9%	11.7%
Old-age and early retirement pension	4.5%	4.8%	5.2%	6.1%	5.6%	5.3%
Other pensions (disability, survivors)	1.7	1.8%	1.6%	1.7%	1.9%	1.9%
Occupational pensions (government)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Healthcare (cure)	5.9%	7.2%	7.7%	8.5%	8.6%	8.5%
Long-term care	3.5%	2.6%	3.0%	3.8%	4.3%	4.4%
Education expenditure	5.1%	5.0%	4.7%	5.1%	5.0%	4.9%
Other age-related expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenditure	1.8	0.9%	1.2%	-0.2%	-0.8%	-1.4%
Total revenue	43.2%	42.6%	45.5%	46.0%	45.6%	45.3%
of which: property income	2.7%	1.1%	0.8%	0.7%	0.7%	0.7%
of which: pension contributions (or social security premiums)	3.3%	3.3%	3.3%	3.3	3.3%	3.3%
Pension reserve fund assets	138.8%	180.1%	176.8%	168.4%	159.1%	155.0%
of which: consolidated public pension fund assets	0.0	0.0	0.0	0.0	0.0	0.0
Systemic pension reforms						
Social contributions diverted to mandatory private scheme	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension expenditure paid by the mandatory private scheme	4.8%	5.7%	6.9%	7.4%	6.3%	5.8%
Assumptions						
Labour productivity growth	1.5%	1.0%	2.4%	1.6%	1.4%	1.5%
Real GDP growth	1.0%	1.8%	2.1%	1.5%	1.7%	1.5%
Participation rate males (15-64)	83.7%	85.5%	86.5%	87.3%	87.5%	87.8%
Participation rate females (15-64)	72.7%	76.0%	76.9%	78.1%	78.3%	78.6%
Total participation rate (15-64)	78.2%	80.7%	81.7%	82.6%	82.9%	83.2%
Unemployment rate (20-64)	5.1%	6.4%	5.5%	5.5%	5.5%	5.5%
Population aged 65+ as % of total population	16.2%	20.6%	24.8%	27.3%	27.0%	27.1%

[5] CPB, 2010, *Vergrijzing verdeeld*, Special CPB Publication 86

The modestly positive sustainability balance, as calculated by the CPB, differs significantly from the result in the most recent forecast of the European Commission at the beginning of 2016. The Commission projects a sustainability gap of -4.5% of GDP. The reason for the discrepancy between the two calculations is that the Commission places less emphasis on the increase of future tax revenues as a result of the aforementioned dissaving due to population ageing. Compared with other countries, the Netherlands has accrued extensive pension savings. Future ageing-related dissaving will lead to greater spending and therefore more VAT revenues. The Commission's calculation takes less account of this specific Dutch pension scheme than the CPB does. Nonetheless, the Commission's calculations underline the necessity of paying continuous attention to preserving sustainability of public services in Member States, as these services must also be accessible and affordable for future generations.

Contingent liabilities

The policy for national guarantees is laid down in budgetary rules and in government regulations. Based on the budget rules, a "no, unless" policy applies with regard to contingent liabilities. Although new risk arrangements are sometimes necessary, the Dutch government acts in the most reserved manner possible. The government thinks it is important to not only assess new arrangements, but also to exercise restraint with regard to (broadening) existing arrangements. The government achieves this through the implementation of the Assessment Framework Risk Arrangements[6]. Three key elements the assessment framework focuses on are:

- The reason for government intervention and choice of instrument, in other words usefulness and necessity;
- The management of risks, both ex-ante and ex-post (governance);
- The pricing of risk as well as implementation costs and costs of losses.

The *guarantee framework* can be summarised as follows[7]:

- A "no, unless" policy applies to all guarantees and loans.
- In principle, all arrangements must have a sunset clause.
- The assessment framework for risk arrangements is always submitted to Parliament.
- In case of new arrangements and amendments to existing arrangements, (other) risk arrangements will have to be decreased.
- A rule will ensure the scaling down of unused caps.
- Retrenchment of arrangements will be considered.
- A second opinion will be requested from an independent, specialist party with regard to risk management and the setting of premiums for large and complicated risks.

In the period 2008-2012 the number of government guarantees rose significantly. The most important explanation for this is the financial crisis and the subsequent economic downturn. Notwithstanding reservations that the government has about providing new guarantees, measures were necessary to counter substantial systemic risks, both nationally and in the context of the Eurozone. 2013 Saw the first subsequent decline in the outstanding exposure of contingent liabilities. Among other things this was a result of a reduction in the guarantee cap which the Dutch government gave to the provisional emergency fund of the European Financial Stability Facility (EFSF). This decline continued in 2014 and 2015. The number of outstanding guarantees dropped from € 214 billion in 2013 (33.3% of GDP) to € 196 billion in 2015 (28.9% of GDP).

Table 5.2 provides an overview of outstanding guarantees in 2015 with their outstanding amounts at the end of 2015. All guarantee liabilities above € 1 billion have been shown separately in the table. A distinction is made between guarantees concluded in view of international agreements and

[6] http://www.rijksoverheid.nl/documenten-en-publicaties/regelingen/2012/03/05/toetsingskader-risicoregelingen.html

[7] For a full overview see: http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2013/09/17/rapport-commissie-risicoregelingen-en-kabinetsreactie.html

national guarantees. Approximately three quarters of outstanding guarantees were established in view of international agreements.

Table 5.2. Contingent liabilities*

in € billion	**2015**
Total guarantees	**196.0**
Which include	
International guarantees total	**156.5**
European Financial Stability Facility (EFSF)	49.6
DNB participation in IMF capital	49.8
European Stability Mechanism (ESM)	35.4
European Investment Bank (EIB)	9.9
World Bank	4.3
European Financial Stabilisation Mechanism (EFSM)	2.8
EU Balance-of-payments (BoP) assistance to Member States	2.3
Regional development bank guarantees	2.3
National guarantees total	**33.2**
Facility for nuclear disasters (WAKO)	9.8
Export credit insurance (*EKV*)	13.4
Guarantee De Nederlandsche Bank (DNB)	5.7
Guarantee SNS	2.6
Guarantee for loans to SMEs (*BMKB*)	1.8

*Includes all guarantee schemes with an outstanding exposure greater than € 1 billion. This overview has been provided by the Ministry of Finance and represents the outstanding amounts at the end of 2015.

Aside from guarantees, the Netherlands also has so called indirect guarantees. These concern a total sum of about € 280 billion in 2015. However, the risk to the government from indirect guarantees differs significantly from risk stemming from direct guarantees. There are a number of reasons for this. Firstly, in the case of an indirect guarantee the guarantee is not issued directly by the government, but by a specially appointed indirect guarantee fund. The government therefore only acts indirectly as the guarantor. Secondly, indirect guarantees have multiple layers which significantly limit the risk to the government. The government is only liable when the guarantee fund cannot meet its obligations. The fund's own equity forms the first layer. This is followed by the obligation of participants to financially support the fund if the fund's equity drops to below a certain level. Only in an extreme case can the fund have recourse to government support. A fund would then receive an interest-free loan from the central government, and in some cases also from local and regional governments. Since this loan must be repaid, the impact is of a temporary nature.

Chapter 6: Quality of public finances

Ensuring the quality of public finances is essential to achieve an effective and efficient deployment of public resources. The Dutch government uses various instruments to safeguard the quality of government expenditures. The government conducts evaluations and other types of impact research to evaluate the effectiveness of policy. These insights are subsequently used to develop new policy and to amend existing policy.

Introduction

Different types of policy research are conducted in the Netherlands. Government departments organise evaluation studies and monitors of individual policy programmes. In the Netherlands there is also a system of policy reviews and spending reviews (known in Dutch as IBOs), which are conducted in all policy areas. Furthermore, prior to the initiation of certain large projects that include a go or no-go decision, a social cost-benefit analysis (abbreviated in Dutch as MKBA) is carried out.

This chapter starts with an overview of the key policy evaluation instruments in the Netherlands: policy reviews, spending reviews and social cost-benefit analyses.

Policy reviews

In a policy review a certain policy area is assessed for its effectiveness and efficiency. An important feature of a policy review is that it is a synthesis study: the study assesses the coherent effect of various policy instruments. This is often based on underlying evaluative research, supplemented with other sources of information.

The policy review assesses whether policy objectives as they have been formulated in the policy article of departmental budgets have been achieved. Every policy area is audited at least once every seven years. The results of the policy review are communicated to Parliament. In this way Parliament is periodically informed in a structured manner on the results of policy, so that it can monitor the minister who is responsible for specific policy and intervene, if required.

In the coming year, 23 policy reviews will be carried out. The topics extend across the full range of government policy: for example, policy reviews will be carried out on topics such as unemployment policies, the system of curative care and policies pertaining to shipping.

Last year was the first time that the structure and scope of policy audits was shared in advance with parliament. For the reviews that will be finalised in 2016, Parliament was thus able to pose questions and make remarks beforehand. This improves Parliaments's involvement in policy reviews. In addition, from 2015 onwards all policy reviews will assess which measures could be taken if significantly fewer resources would be available for the specific policy area. This is intended to enhance the usefulness of policy reviews in the decision-making process.

Spending reviews (IBOs)

Every year a number of spending reviews are instituted. Under the leadership of an independent chairman, spending reviews are carried out by a working group of policy departments, the Ministry of Finance and other experts. Spending reviews highlight policy alternatives for any perceived budgetary, political or social issue.

In 2016 seven spending reviews will be completed. One of these spending reviews focuses on government policy related to social housing. In 2016 a spending review will also be instituted to establish which measures could effectively stimulate healthy lifestyles (and in so doing, lead to savings on healthcare costs). Other spending reviews involve cost effectiveness of CO_2-reduction measures, traffic law enforcement, treasury banking for educational institutions and the funding of infrastructural planning.

As is the case with policy reviews, spending reviews are submitted to Parliament, accompanied by the government's appraisal of the most important findings.

Social costs-benefit analyses

Social cost-benefit analyses are carried out in preparation of a decision on a policy proposal. A social cost-benefit analysis answers the question whether certain policy proposals that aim to resolve a social issue are expected to be welfare-enhancing. For this purpose, all (social) costs and benefits of a policy measure, as well as possible alternative measures, are quantified. A policy measure is welfare-enhancing if there is a positive net balance of social costs and benefits.

This instrument has already been used for many years in infrastructure and spatial economy as a standard part of the preparation of the decision-making process. Conducting a cost-benefit analysis has been mandatory for major infrastructure projects since 2000. Aside from the go or no-go decision, MKBAs can also influence the quality and phasing over time of projects. In order to improve applicability of the MKBA in the decision-making process, the government has had a general guideline developed by the CPB and the PBL (Netherlands Environmental Assessment Agency) in 2015. The guideline contains a set of minimum standards for methodological quality and for transparent presentation of results. Methodological standards broaden the comparability of MKBAs.

The government has expressed ambition desire to apply the MKBA instrument in areas other than infrastructure and the spatial domain as well. The government's intention is to draw up specific manuals for all policy areas. In 2016, at the request of the ministries of Public Health, Welfare and Sport (VWS), Social Affairs and Employment (SZW), Education, Culture and Science (OCW) and the Ministry of the Interior and Kingdom Relations (BZK), a manual was published for the social domain. Furthermore, at the request of the ministries of Economic Affairs (EZ) and Infrastructure & Environment (I&M) new manuals are being prepared for nature and environmental policy.

Research instruments examined closely

In 2016 the National Advisory Group on budgetary principles (see chapter 7), will analyze the instruments themselves. The National Advisory Group will assess the usefulness of the insights that instruments such as spending reviews and policy reviews provide. Possible alternatives will also be considered to further enhance insight into the quality of public finances.

Chapter 7: Institutional features of public finances

An important purpose of the strengthened Stability and Growth Pact (SGP) and the Treaty on Stability, Coordination and Governance in the EMU (TSCG) is to reinforce budgetary discipline, among other things, by increasing individual Member States' 'ownership' of European agreements. In conformity with European budgetary agreements, the European budgetary objectives have therefore been legally codified in the Netherlands at the national level in the Sustainability of Public Finances Act ('Wet HOF'). This chapter provides a short description of the contents of the 'Wet HOF' and the fulfilment of independent budgetary supervision in the Netherlands, in which the CPB and the Council of State (Raad van State, RvS) play a prominent role. In addition, the recommendation of the National Advisory Group on budgetary principles, which is expected before the summer of 2016, is also addressed.

Sustainable Public Finances Act ('Wet HOF')

The essence of the 'Wet HOF' is to codify European budgetary agreements and to establish that the State and local governments (municipalities, provincial authorities and regional water authorities) must make an equal effort to comply with these agreements. In addition, the most important starting points of the Netherlands' trend-based budgetary policy have been legally codified in this legislation.

Reinforcement of budgetary discipline through independent monitoring

Dutch budgetary policy has traditionally been based on independent projections and analyses from the CPB. Besides the CPB's role as an independent forecasting institute, the 'Wet HOF' assigns a prominent role to the Advisory Division of the Council of State. In the spring the Council of State assesses whether the envisaged budgetary development in the Netherlands complies with European budgetary agreements based on figures in the CPB's Central Economic Plan (CEP). The Council of State's assessment in the spring is available prior to the government's budgetary decision making, and can therefore have an impact in an earlier phase of the budgetary cycle. Furthermore, at the time of publication of the Budget Memorandum, the Council of State assesses whether the draft budget complies with European budgetary agreements. At the beginning of this year two extraordinary State councillors were appointed by the Council of State. This has further strengthened the fulfilment of independent budgetary supervision at the Council of State.

National advisory group on budgetary principles

In March 2017 a new Parliament will be elected in the Netherlands. An important element in Dutch budgetary policy is the recommendation from the National advisory group on budgetary principles (abbreviated in Dutch as the SBR). By tradition the SBR submits a recommendation on budgetary policy and budgetary objectives for the coming government term, prior to parliamentary elections,. The SBR is led by the Secretary-General of the Ministry of Finance. Various departments are represented in the SBR, including the ministries of General Affairs; Finance; Economic Affairs; Social Affairs and Employment; Public Health, Welfare and Sport; and the Ministry of the Interior and Kingdom Relations. In addition, the CPB and Dutch Central Bank are also represented. Although a new government is not obliged to implement the recommendation that is provided by the SBR, many recommendations by the SBR have been implemented. For example, the current trend-based budgetary policy stems from a recommendation made by the SBR. The recommendation by the SBR is expected to be published before the summer of 2016. This gives political parties sufficient time to process the SBR recommendations in their election programmes.

Annex - Tables for Stability Programme

Table 1a. Macroeconomic prospects

	ESA Code	2015 Level (€ billion)	2015 rate of change	2016 rate of change	2017 rate of change	2018 rate of change	2019 rate of change
1. Real GDP	B1*g	679.1	2.0	1.8	2.0	1.9	1.8
2. Nominal GDP (€ billion)	B1*g	679.1	2.5	2.9	2.9	3.3	3.3
Components of real GDP							
3. Private consumption expenditure	P.3	301.7	1.6	1.6	2.0	1.3	0.9
4. Government consumption expenditure	P.3	170.1	-0.3	2.0	0.2	0.9	1.1
5. Gross fixed capital formation	P.51	132.6	10.3	4.8	3.2	2.1	2.1
6. Changes in inventories (Δ)	P.52+P.53	-3.7	-0.6	0.2	0.2	0.3	0.2
7. Exports of goods and services	P.6	555.4	4.2	3.6	4.1	4.1	4.2
8. Imports of goods and services	P.7	477.0	4.9	5.0	4.5	4.2	4.1
Contributions to real GDP growth							
9. Final domestic demand		604.3	2.4	2.1	1.6	1.2	1.1
10. Changes in inventories (Δ)	P.52+P.53	-3.7	-0.6	0.2	0.2	0.3	0.2
11. External balance of goods and services	B.11	78.4	0.0	-0.5	0.2	0.4	0.5

The growth figure of real GDP for 2015 is brought up to date based on actual Statistics Netherlands figures.

Table 1b. Price developments

	ESA Code	2015 Level	2015 rate of change	2016 rate of change	2017 rate of change	2018 rate of change	2019 rate of change
1. GDP deflator		100	0.5	1.1	0.9	1.4	1.5
2. Private consumption deflator		100	0.3	0.6	1.1	1.4	1.6
3. HICP		100	0.2	0.3	1.0	1.4	1.5
4. Public consumption deflator		100	-0.4	0.5	1.6	2.2	2.1
5. Investment deflator		100	-0.2	0.7	0.8	2.0	1.4
6. Export price deflator (goods and services)		100	-3.0	-3.8	1.4	0.7	0.3
7. Import price deflator (goods and services)		100	-4.0	-5.0	1.8	1.0	0.3

Table 1c. Labour market developments

	ESA Code	2015 Level	2015 rate of change	2016 rate of change	2017 rate of change	2018 rate of change	2019 rate of change
1. Employment, persons (x 1.000)		8811.5	0.8	1.1	1.0	0.9	0.9
2. Employment, hours worked		12,503.0	0.8	1.3	0.9	0.8	0.7
3. Unemployment rate (% of working population)		614.0	6.9	6.5	6.3	6.2	6.1
4. Labour productivity, persons		77.1	1.1	0.7	1.0	1.0	1.0
5. Labour productivity, hours worked		54.3	0.8	0.4	1.1	1.2	1.1
6. Compensation of employees	D.1	334.6	1.8	3.6	3.0	3.2	2.9
7. Compensation per employee (€)		38.0	1.2	2.2	2.1	2.5	2.2

Table 1d. Sectoral balances

% of GDP	ESA Code	2015	2016	2017	2018	2019
1. Net lending/borrowing vis-à-vis the rest of world	B.9	11.1	11.1	10.5	10.2	10.2
of which:						
- Balance of goods and services		11.5	11.2	10.9	10.8	10.9
- Balance of primary incomes and transfers		1.5	1.5	1.4	1.4	1.3
- Capital account		-2.0	-1.5	-1.8	-1.9	-2.0

2. Net lending/borrowing of private sector	B.9	12.6	12.6	11.5	10.6	10.1
3. General government balance	EDP B.9	-1.8	-1.7	-1.2	-0.4	0.1
4. Statistical discrepancy					-	-

General government balance for 2015 is adjusted on the basis of realisations by Statistics Netherlands for 2015

Table 2a. General government budgetary prospects of total government

	ESA Code	2015	2015	2016	2017	2018	2019
		Level (€ billion)	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
Net lending (EDP B.9) by sub-sector							
1. General government	S.13	-12.4	-1.8	-1.7	-1.2	-0.4	0.1
2. Central government	S.1311	-11.4	-1.7	-2.1	-1.6	-1.1	-0.3
3. State government	S.1312						
4. Local government*	S.1313	-2.3	-0.3	-0.3	-0.2	-0.2	-0.2
5. Social security funds	S.1314	1.2	0.2	0.6	0.6	0.9	0.6
Total General government (S13)							
6. Total revenue	TR	292.0	43.0	42.7	42.7	42.9	43.1
7. Total expenditure	TE	304.4	44.8	44.4	43.9	43.3	43.0
8. General government balance	EDP B.9	-12.4	-1.8	-1.7	-1.2	-0.4	0.1
9. Interest expenditure	EDP D.41	8.2	1.2	1.2	1.2	1.0	0.9
10. Primary balance		-4.2	-0.6	-0.5	0.0	0.6	1.0
11. One-off and other temporary measures		-	-	-0.3	-	-	-
Selected components of revenue							
12. Total taxes (=12a+12b+12c)		155.7	22.9	22.7	23.1	23.0	23.5
12a. Taxes on production and imports	D.2	75.8	11.2	11.3	11.3	11.4	11.5
12b. Current taxes on income, wealth, etc.	D.5	78.3	11.5	11.2	11.5	11.3	11.8
12c. Capital taxes	D.91	1.6	0.2	0.2	0.2	0.2	0.2
13. Social contributions	D.61	96.6	14.2	15.0	14.7	15.2	14.9
14. Property income	D.4	10.5	1.5	1.2	1.2	1.1	1.1
15. Other		29.2	4.3	3.8	3.7	3.6	3.5
16. Total revenue (=6)	TR	292.0	43.0	42.7	42.7	42.9	43.1
Tax burden		254.6	37.5	37.5	37.7	38.0	38.3
Selected components of expenditure							
17. Compensation of employees + intermediate consumption	D.1 + P.2	100.4	14.8	14.8	14.6	14.4	14.2
17a. Compensation of employees	D.1	60.0	8.8	9.0	8.9	8.8	8.6
17b. Intermediate consumption	P.2	40.4	5.9	5.7	5.7	5.6	5.6
18. Social payments		146.4	21.6	21.3	20.9	20.9	20.9
of which Unemployment benefits		14.0	2.1	1.9	1.8	1.8	1.7
19. Interest expenditure (=9)	EDP D.41	8.2	1.2	1.2	1.2	1.0	0.9
20. Subsidies	D.3	7.9	1.2	1.2	1.3	1.3	1.3
21. Gross fixed capital formation	P.51	23.5	3.5	3.3	3.2	3.2	3.1
22. Capital transfers		3.5	0.5	1.1	1.1	1.0	1.0
23. Other		14.6	2.1	1.5	1.7	1.6	1.6
24. Total expenditure (=7)	TE	304.4	44.8	44.4	43.9	43.3	43.0

This table is adjusted on the basis of realisations by Statistics Netherlands for 2015

Table 2b. Breakdown of revenue

	2015	2015	2016	2017	2018	2019
	Level (€ billion)	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
1. Total revenue at unchanged policy	292.0	43.0	42.7	42.7	42.9	43.1
2. Total expenditure at unchanged policy	304.4	44.8	44.4	43.9	43.3	43.0

Figures for 2015 adjusted on the basis of realisations by Statistics Netherlands.

Table 2c. Expenditure to be excluded from the expenditure benchmark

	2015	2015	2016	2017	2018	2019
	Level (€ billion)	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
1. Expenditure in EU programmes fully matched by EU funds revenue	1159.0	0.2	0.2	0.2	0.2	0.1
2a. Unemployment benefit expenditure	13.3	2.0	1.8	1.7	1.7	1.6
2b. Cyclical unemployment benefit expenditure	1.5	0.2	0.1	0.0	0.0	0.0
3. Effect of discretionary revenue measures	-0.1	0.0	-0.2	0.0	0.1	0.0
4. Revenue Increases mandated by law	-1.0	-0.1	0.0	0.2	0.4	0.2

NB the bottom two rows of this table are forecast by the Ministry of Finance.

Table 3. General government expenditure by function (based on unchanged policy)

in % of GDP	COFOG Code	2014	2016	2019
1. General public services	1	5.1	4.9	4.7
2. Defence	2	1.2	1.1	1.0
3. Public order and safety	3	2.0	1.8	1.7
4. Economic affairs	4	3.8	3.9	4.0
5. Environmental protection	5	1.5	1.4	1.3
6. Housing & community amenities	6	0.5	0.4	0.4
7. Healthcare	7	8.2	7.8	8.0
8. Recreation, culture and religion	8	1.5	1.4	1.3
9. Education	9	5.4	5.4	5.1
10. Social protection	10	17.0	16.3	15.4
11. Total expenditure	TE	46.2	44.4	43.0

Table 4. General government debt developments

in % of GDP	ESA Code	2015	2016	2017	2018	2019
1. Gross debt		65.1	65.4	64.1	61.6	58.9
2. Change in gross debt ratio		-3.1	0.3	-1.4	-2.4	-2.7
3. Primary balance		-0.6	-0.5	0.0	0.6	1.0
4. Interest expenditure	EDP D.41	1.2	1.2	1.2	1.0	0.9
5. Stock-flow adjustment		-5.0	-1.4	-2.5	-2.8	-2.6
of which:						
- Differences between cash and accruals		0.2	-0.2	0.0	0.0	-0.1
- Denominator effect		-1.6	-1.9	-1.9	-2.0	-1.9
- Net accumulation of financial assets		-3.5	0.7	-0.7	-0.8	-0.6
of which:						
- Privatisation proceeds		-0.6	-	-	-	-
Implicit interest rate on debt		0.7	0.6	0.6	0.8	1.2
6. Liquid financial assets (% of GDP)		0.2	0.2	0.2	0.2	0.2
7. Net financial debt (7=1-6)		64.9	65.2	63.9	61.4	58.7
8. Debt amortization (existing bonds) since end of previous year (€ billion)		39.5	28.1	44.7	46.1	30.1
9. Percentage of debt denominated in foreign currency		1.1	0.9	0.1	0.1	0.1
10. Average maturity		7.5*	7.4**	-	-	-

* as at 1 December 2015; ** as at 29 February 2016
This table is adjusted on the basis of realisations by Statistics Netherlands for 2015

Table 5. Cyclical developments

in % of GDP	ESA Code	2015	2016	2017	2018	2019
1. Real GDP growth		2.0	1.8	2.0	1.9	1.8
2. Total general government balance	EDP B.9	-1.8	-1.7	-1.2	-0.4	0.1
3. Interest expenditure	EDP D.41	1.2	1.2	1.2	1.0	0.9
4. One-off and other temporary measures		0.0	0.3	0.0	-	-
5. Potential GDP growth		0.6	1.1	1.3	1.6	1.5
Contribution to growth						
- Labour		0.1	0.5	0.6	0.5	0.4
- Capital		0.4	0.5	0.6	0.6	0.6
- Total factor productivity		0.1	0.1	0.2	0.5	0.5
6. Output gap (EC method)		-1.3	-0.7	0.0	-0.4	-0.1
7. Cyclical budgetary component		-0.8	-0.4	0.0	0.2	0.3
8. Cyclically-adjusted balance (2-7)		-1.0	-1.3	-1.2	-0.6	-0.2
9. Cyclically-adjusted primary balance (8+3)		0.3	-0.1	0.0	0.4	0.7
10. Structural balance (8-4)		-1.0	-1.6	-1.2	-0.6	-0.2

Real GDP growth, general government balance and interest expenditure for 2015 have been adjusted on the basis of realisations by Statistics Netherlands for 2015

Table 6. Divergence from Stability Programme 2015

in % of GDP	ESA Code	2015	2016	2017	2018	2019
Real GDP growth						
Update April '15		1.7	1.8	1.6	1.6	-
Current update		2.0	1.8	2.0	1.9	1.8
Difference		0.3	0	0.4	0.3	-
General government balance	EDP B.9					
Update April '15		-1.8	-1.2	-0.7	-0.7	-
Current update		-1.8	-1.7	-1.2	-0.4	0.1
Difference		0.0	-0.5	-0.5	0.3	-
General government debt						
Update April '15		68.8	67.8	67.0	66.1	-
Current update		65.1	65.4	64.1	61.6	58.9
Difference		-3.7	-2.4	-2.9	-4.5	-

Real GDP, general government balance and general government debt for 2015 have been adjusted on the basis of realisations by Statistics Netherlands for 2015

Table 7. Sustainability of public finances

in % of GDP	2010	2020	2030	2040	2050	2060
Total expenditure	48.2%	42.2%	42.1%	43.9%	43.4%	42.6%
of which:						
Age-related expenditure	20.8%	21.4%	22.2%	25.2%	25.3%	25.1%
Pension expenditure	6.2%	6.6%	6.8%	7.8%	7.5%	7.3%
Social security expenditure	11.7%	11.3%	11.1%	12.2%	11.9%	11.7%
Old-age and early retirement pension	4.5%	4.8%	5.2%	6.1%	5.6%	5.3%
Other pensions (occupational disability, survivors)	1.7%	1.8%	1.6%	1.7%	1.9%	1.9%
Occupational pensions (government)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Healthcare (cure)	5.9%	7.2%	7.7%	8.5%	8.6%	8.5%
Long-term care	3.5%	2.6%	3.0%	3.8%	4.3%	4.4%
Education expenditure	5.1%	5.0%	4.7%	5.1%	5.0%	4.9%
Other age-related expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenditure	1.8%	0.9%	1.2%	-0.2%	-0.8%	-1.4%
Total revenue	43.2%	42.6%	45.5%	46.0%	45.6%	45.3%
of which: property income	2.7%	1.1%	0.8%	0.7%	0.7%	0.7%
of which: pension contributions (or social security premiums)	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%

Pension reserve fund assets	138.8%	180.1%	176.8%	168.4%	159.1%	155.0%
of which: consolidated public pension fund assets	0.0	0.0	0.0	0.0	0.0	0.0
Systemic pension reforms						
Social contributions diverted to mandatory private scheme	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension expenditure paid by mandatory private system	4.8%	5.7%	6.9%	7.4%	6.3%	5.8%
Assumptions						
Labour productivity growth	1.5%	1.0%	2.4%	1.6%	1.4%	1.5%
Real GDP growth	1.0%	1.8%	2.1%	1.5%	1.7%	1.5%
Participation rate males (15-64)	83.7%	85.5%	86.5%	87.3%	87.5%	87.8%
Participation rate females (15-64)	72.7%	76.0%	76.9%	78.1%	78.3%	78.6%
Total participation rate (15-64)	78.2%	80.7%	81.7%	82.6%	82.9%	83.2%
Unemployment rate (20-64)	5.1%	6.4%	5.5%	5.5%	5.5%	5.5%
Population aged 65+ as % of total population	16.2%	20.6%	24.8%	27.3%	27.0%	27.1%

Table 7a. Contingent liabilities*

in € billion	**2015**
Total guarantees	**198.2**
Which include	
International guarantees	**156.5**
DNB - participation in IMF capital	49.8
European Financial Stability Facility (EFSF)	49.6
European Stability Mechanism (ESM)	35.4
European Investment Bank (EIB)	9.9
World Bank	4.3
European Financial Stabilisation Mechanism (EFSM)	2.8
EU Balance-of-payments (BoP) support to Member States	2.3
Regional development bank guarantees	2.3
National guarantees	**35.6**
Export credit insurance (*EKV*)	15.7
Facility for nuclear disasters (*WAKO*)	9.8
De Nederlandsche Bank (*DNB*) surrender of profits	5.7
Guarantee SNS	2.6
Guarantee for loans to SMEs (*BMKB*)	1.8

*Includes all guarantee schemes with an outstanding exposure greater than € 1 billion.
This overview has been drawn up by the Ministry of Finance and represents the status at the end of 2015.

Table 8. External assumptions

	2015	**2016**	**2017**	**2018**	**2019**
Short-term interest rate (annual average)	0.0	-0.1	-0.1	0.3	0.5
Long-term interest rate (annual average)	0.7	0.6	0.6	0.8	1.2
USD/EUR exchange rate (annual average)	1.1	1.1	1.1	1.1	1.1
Nominal effective exchange rate*	-2.1	2.9	0.2	0.8	1.1
Worldwide GDP growth	2.8	2.9	3.2	3.6	3.9
EU GDP growth	1.5	1.6	1.7	1.5	1.6
Worldwide, excluding EU, GDP growth	3.1	3.2	3.6	4.1	4.5
Relevant world trade	3.6	3.8	4.4	4.5	4.6
World import volume, excluding EU	1.7	3.4	4.0	4.1	4.8
Oil price (Brent, USD per barrel)	52.5	31.7	37.8	41	42

* percentage changes in respect of a basket of competitors