STABILITY PROGRAMME

THE NETHERLANDS

APRIL 2023

FOREWORD

Programme status

A draft of the Stability Programme has been submitted to both Houses of Parliament. In addition, a draft of the Stability Programme was presented to the Council of State, the institution in the Netherlands charged with the fiscal monitoring of compliance with European budgetary rules. This role ensues from Article 5 of the Treaty on Stability, Coordination and Governance (TSCG) and Council Regulation (EU) 473/2013 and has been codified in the Sustainable Public Finances Act (*Wet houdbare overheidsfinanciën, 'Wet HOF'*).

Relationship to 'two-pack'

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

Figures used

The figures used in this report are based on the Central Economic Plan (CEP) of 9 March 2023. This is the latest forecast by the CPB Netherlands Bureau for Economic Policy Analysis (hereafter referred to as CPB). The figures for the year of 2022 are not only CPB figures but also those based on more recent publication by Statistics Netherlands. Where other figures than those of the CPB have been used, this is explicitly mentioned in the text.

Due to the fact that the CEP was published before the pre-Spring Memorandum consultations took place, these forecasts do not fully take the pre-Spring Memorandum consultations into account. This is while the government is faced with a rather detailed cover this spring as a result of rising interest expenditure, disappointing gas revenues, the challenge regarding asylum seekers, the energy package's costs and the estimated expenditure directly related to the war in Ukraine. The CPB also forecasts a significant under-utilisation of the budget in the first years of the forecast period. As a result, there may be relatively large differences between the forecast general government balances and government debt ratios in this report and the forecasts which will be presented in the Spring Memorandum.

In addition, the 2023 Stability Programme is being finalised sooner than the 2023 Spring Memorandum. Reference can only be made to internal figures based on already published figures. For this reason, reference is made in this document to the 2022 Autumn Memorandum for expenditure directly related to the war in Ukraine and the energy package's costs. An update of these figures will be published by 1 June in the 2023 Spring Memorandum.

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SUMMARY

The CPB's forecast shows that the Dutch economy will continue to grow in 2023 and 2024. This is despite high inflation, a global economic cooling off, higher interest rates and a prospectively modest correction in the housing market. Inflation is dropping due to lower energy prices, but is broadening towards core inflation. The labour market also remains tight in 2023, with both labour demand and employment rates at historically high levels. Partly because of the cooling economy, unemployment will rise slightly in 2024, from 3.9% in 2023 to 4.1% in 2024.

As a result of rising inflation, central banks have adopted tightening monetary policies. The European Central Bank (ECB) has done this with the highest interest rate increases since its inception. This global monetary tightening by central banks is holding back international demand, which means that Dutch exports will rise less sharply in 2023 and 2024 compared to last year. As a result of high inflation, developments in purchasing power are negative for most households over the period 2022 and 2023. The purchasing power effect looks relatively favourable for 2024. Policies such as the introduction of the energy price cap, the increased statutory minimum wage and various income support measures contribute positively to the almost unchanged purchasing power of 2023.

Despite projected budget deficits over the entire period 2023-2027, government debt remains well below the European reference value of 60% of GDP. For 2023, the CPB forecasts a deterioration in the general government balance to -3.0% of GDP, thus reaching the European reference value. Following an improvement in the general government balance to -2.6% of GDP in 2024, the balance is expected to deteriorate gradually to -3.2% of GDP in 2027. In the forecast, the CPB keeps account of relatively significant under-utilisation of the budget in the first years of the forecast period. The CPB forecasts a general government debt at 48.4% of GDP for 2023. This debt will gradually increase to 52.6% of GDP in 2027, remaining well below the European reference value of 60% of GDP. According to the CPB, the general government balance was -0.7% of GDP in 2022, while Statistics Netherlands's actual 2022 figure even shows a balanced budget (0.0% of GDP). At the same time, the general government debt at 51.0% of GDP for 2022 in this publication by Statistics Netherlands was higher than the CPB calculation of 49.3% of GDP. In both cases, the debt is significantly below the 53.8% of GDP expected in the 2022 Stability Programme. This is largely explained by the denominator effect resulting from high nominal GDP growth due to a high inflation rate.

The government invests in major societal challenges and a strengthening of sustainable growth. An ambitious investment agenda was announced in this government's coalition agreement, with investments in, among other things, climate, housing and education. In addition, the National Growth Fund is used to invest in the structural earning capacity of the Netherlands. The government considers these investments to be necessary and financially responsible and thus works towards the future resilience of the Netherlands by investing in the conditions for sustainable growth in the future. This reflects the structural economic country-specific recommendations for the Netherlands of the Council of the European Union, although the expansive fiscal policy stance for 2023 is at odds with this year's country-specific budgetary recommendations. The CPB forecasts that the tight labour market will lead to a slowdown in the spending of budgeted funds.

With an increase to 60.4% of GDP in 2031, the CPB forecasts show that government debt remains contained despite additional expenditure, so too in the medium-term. However, investments lead to a deterioration in public finances in the short term and public debt can increase significantly faster in the event of disappointing economic development or economic shocks. The government has deliberately opted for this based on the belief that investments will help society and that deferral will lead to higher costs in the future and loss of widespread prosperity. Investments tentatively lead to higher expenditure and coincide with an increase in expenditure related to ageing of the population. The additional expenditure is reflected in the general government balance, which is expected to decrease to -3.7% of GDP in 2031. Despite this, sustainability analyses by both the EC and the CPB show that there is a high probability over time

that general government debt will remain at relatively prudent levels. The Netherlands has an average score on the EC's S1 and S2 sustainability indicators. In addition, a Debt Sustainability Analysis (DSA) of the CPB in the 2023 Budget Memorandum shows that with 90% certainty, the Netherlands remains below the 76% general government debt level, although the debt itself is already above 60% of GDP in the base scenario.

The government intends to cover the additional expenditure for the energy cap and support measures. With this, the government maintains the prevailing budgetary rules to maintain any transparency and predictability. This is in contrast with the support measures during the corona crisis, which were charged to the budget balance. Decisions were frequently made ad hoc to respond rapidly to developments. Last year's support packages have largely not been placed outside the expenditure ceilings, although here too ad hoc decisions were regularly made, with a large number of supplementary budgets. In order to ensure effective and efficient budgetary policies, it is important that decisions are preferably taken at a single decision-making point in time when all relevant information is available.

At the end of 2023, the general escape clause of the Stability and Growth Pact (SGP) will be deactivated. This means that the temporary divergence from the European budgetary requirements will come to an end. This is stated by the EC in the Fiscal policy guidance for 2024. Concurrently, discussions on the future economic governance framework are in full swing. To create an effective bridge to the future economic governance framework, while taking current challenges into account, the EC invites Member States to already include elements of this framework in their accountability cycle within the European Semester. In the spring of 2024, the EC will propose to the Council to only open an excessive deficit procedure on the basis of the European reference value for the general government balance (-3% of GDP). Member States with debt ratios above 60% of GDP will have to explain how this deficit will be reduced in the medium-term, but will not immediately enter an excessive deficit procedure. In addition, Member States are invited to discuss how their reform and investment plans are expected to contribute to budgetary sustainability and sustainable and inclusive growth.

CHAPTER 1: OVERALL POLICY FRAMEWORK AND OBJECTIVES

This Stability Programme (SP) presents an update of the Dutch budgetary prospects, in conformity with provisions of the Stability and Growth Pact (SGP). The Stability Programme is consistent with the European Commission's fiscal policy guidance for 2024[1] of 8 March recently.

Stability and Growth Pact

For 2023, the Council's 2022 country-specific recommendations are relevant to the Netherlands, which, in view of the general escape clause, were of a qualitative nature. In this report, the Netherlands was recommended to ensure that growth of nationally financed ongoing primary expenditure must be in line with a broadly neutral policy stance in 2023. This recommended policy takes into account ongoing temporary and targeted support to households and businesses who are most vulnerable to energy price increases and to people fleeing Ukraine. It has also been recommended to increase government investments in green and digital transitions. Finally, it was recommended that after 2023 budgetary policies that are focused on achieving prudent public finances in the medium-term should be implemented.

The general escape clause of the SGP will be discontinued at the end of 2023. In May 2022, in communications from the European Commission on the 2022 European Semester, it was stated that the conditions for deactivating the general escape clause would be met in 2024. The annual analysis on sustainable growth in November 2022 and the Fiscal policy guidance for 2024 confirmed this statement. The European economy is no longer in crisis and has improved further in comparison to pre-pandemic levels. Deactivation of the general escape clause, in principle, means that the rules of the preventive arm of the SGP will be reinstated for 2024. However, in its communication on the fiscal policy guidance, the Commission takes account of the fact that the rules of the SGP are currently being revised. This means that the current rules will not revert in full in the 2024 Guidelines; the Commission specifically no longer envisages any role for the 'matrix of requirements' in the preventive arm of the SGP and verification under the 1/20th criterion for the reduction of government debt above 60% of GDP.

The preventive arm requires that Member States comply with the objective for the structural balance for the medium-term, the medium-term objective(MTO). In the 2022 Stability Programme, the Netherlands indicated that it opted for a medium-term objective (MTO) for the structural balance of -0.75% of GDP from 2023 onwards. With an expected structural balance of -3.6% of GDP in 2023 and -3.0% of GDP in 2024[2], the balance does not comply with the MTO for the structural balance. Member States who do not comply with the MTO yet, must show sufficient improvement annually in their structural balance towards the MTO, with an improvement of 0.5% of GDP per year as a benchmark. Having the above-mentioned improvement in the structural balance of 0.6% of GDP, the Netherlands complies with this benchmark. Member States with a structural balance that is lower than the MTO must additionally adhere to the expenditure benchmark. This benchmark prescribes that non-cyclical expenditure growth, insofar as this is not compensated by a policy-related increase in revenues, lags behind (if the MTO has not been reached yet) or is equal (if the MTO is reached) to the potential growth of the economy.

In addition to the requirements of the preventive arm, naturally the reference values of the corrective arm of the SGP apply. Member States are asked to account in their Stability Programme on how their tax plans will ensure that the budget deficit remains below 3% of GDP and debt remains confined to a maximum of 60% of GDP. In its fiscal policy guidance, on the basis of the 3% deficit standard, the European Commission proposes to re-open excessive deficit procedures in the spring of 2024, based on the deficit figures for 2023. Member States should take this into account when implementing their 2023 budgets, when preparing their Stability Programme in the spring of 2023, and when preparing their co-Draft Budget for 2024 in the autumn of 2023.

[1] European Commission, Communication from the Commission to the Council: fiscal policy guidance for 2024 COM(2023) 141 final, 8 March 2023.
[2] Central Economic Plan 2023. CPB Netherlands Bureau for Economic Policy Analysis.

National budgetary rules

The Dutch national budgetary framework is based on pursuing a trend-based fiscal policy. The model of trend-based budgeting, which has been used by cabinets since 1994, was designed to absorb economic fluctuations. In order to manage public finances properly, the government uses expenditure benchmarks which were agreed to at the beginning of the government's term of office. On the revenue side of the budget and with regard to unemployment and social assistance benefit expenditure, the principle of automatic stabilisation applies: cyclical windfalls are used to benefit the balance and cyclical setbacks to burden the balance. The additional expenditure incurred on account of corona, applied as an exception. Corona-related expenditure has been placed outside the ceiling, in order to avoid that this expenditure could lead to a reduction in spending on other priorities.[3]

The government maintains both the current budgetary rules and the adaptations recommended by the 16th Budget Margin Study Group (*Studiegroep Begrotingsruimte, SBR*)[4]. These include the separation of income and expenditure and communicating on the year-on-year development of expenditure and income. Every year in the spring, the government decides on one occasion regarding a comprehensive adaptation of the budget and the main outlines of revenue. Furthermore, the government takes over the recommendation on dealing with health insurance contributions in the revenue framework. This means that in the spring and during the decision-making process of August, a decision must be made on applying a possible ceiling-relevant windfall in expenditure based on the Dutch Health Insurance Act (*Zorgverzekeringswet, Zvw*). In the event of a windfall on the expenditure side, the government should choose whether this leeway should partly be used for additional expenditure in another policy area, or used for an easing of the tax and premium burden by not setting a compensatory increase in the tax and premium burden against the lower health insurance contributions.

Adaptations introduced in 2022 will continue to exist. For example, the positive scenario formula, in which windfalls resulting from better than expected developments in public finances are applied in favour of government debt. The positive scenario formula enters into force if the forecast of the actual general government balance is better for the long-term than a balance of -1% of GDP. In addition, a number of technical changes have been made to the rules on risk arrangements and tax arrangements, following comments from the Netherlands Court of Audit.

[3] Government finance. Public finances during corona period. Expenditure benchmarks and corona.
[4] House of Representatives of the States General. Initial memorandum of Rutte IV government.

CHAPTER 2: ECONOMIC OUTLOOK AND SCENARIOS

Despite inflation, global cooling off, higher interest rates and corrections in the housing market, the CPB predicts that the Dutch economy will continue to grow in 2023 and 2024. Lower energy prices are rapidly reducing inflation. However, core inflation is not expected to slow down until 2024. Global monetary tightening by central banks is holding back international demand, which means that exports will rise less sharply in 2023 and 2024 compared to last year, but will nonetheless grow significantly. The labour market remains tight in 2023; both labour demand and employment rates are at historically high levels. The collective expenditure ratio increases in 2023 compared to 2022 as a result of temporary measures such as the Energy Cost Contribution (Tegemoetkoming Energiekosten, TEK) and the energy price cap. In 2023, public purchasing power support measures will contribute to a broadly unchanged purchasing power. In 2024, wage increases will contribute to favourable developments in purchasing power for 2024.

Economic outlook

Despite inflation, global cooling off, higher interest rates and corrections in the housing market, the Dutch economy will continue to grow in 2023 and 2024. The CPB forecasts economic growth at 1.6% and 1.4% in 2023 and 2024, respectively. In figures by both CPB and Statistics Netherlands, economic growth was 4.5% in 2022.[5] So, compared to last year, growth has slowed down. The sharp rise in energy prices resulting from the war in Ukraine led to a worldwide slowdown in the second half of last year. However, a recession was kept at bay.

Table 2.1 Macroeconomic prospects

			Change compared to previous year (%)		
in % of GDP	**ESA Code**	**2022 (in billions of euro)**	**2022**	**2023**	**2024**
1. Real GDP	B1*g	943.3	4.5	1.6	1.4
2. Nominal GDP	B1*g		10.1	7.9	4.4
Components of real GDP					
3. Private consumption expenditure	P.3	414.7	6.6	1.7	1.4
4. Government final consumption expenditure	P.3	238.0	0.7	2.8	1.6
5. Gross fixed capital formation	P.51	202.6	3.1	0.3	1.3
6. Changes in inventories (Δ)	P.52 + P.53	-3.0	-0.3	0.2	0.1
7. Exports of goods and services	P.6	875.0	5.3	3.7	2.3
8. Imports of goods and services	P.7	784.1	4.4	4.2	2.5
Contributions to real GDP growth					
9. Final domestic demand		855.3	4.0	1.7	1.4
10. Changes in inventories (Δ)	P.52 + P.53	-3.0	-0.3	0.2	0.1
11. External balance of goods and services	B.11	91.0	1.2	-0.1	0.1

Source: CPB Netherlands Bureau for Economic Policy Analysis.

[5] Statistics Netherlands. The Dutch economy grew by 4.5 percent in 2022

Inflation is declining rapidly due to lower energy prices, but core inflation continues to rise and will only slow down in 2024. Overall inflation (CPI) amounts to 3% in 2023 and 3.1% in 2024.[6] This includes the impact of the price cap, which resulted in energy prices contributing less than 1 percentage point to overall inflation.[7] Wholesale energy prices have fallen sharply in recent months, having a delayed impact on consumer energy prices. According to Statistics Netherlands, the inflation rate in 2022 was 10.0%, the highest since 1975. Inflation has, in the meanwhile, broadened to core inflation. Core inflation was historically high at 6.7% in February 2023. Inflation has also spread to other commodities and services, such as food, because entrepreneurs pass on higher energy costs as well as higher wages in their own sales prices.[8]

Central banks have adopted tighter monetary policies as a result of rising inflation. The European Central Bank (ECB) does this with the highest interest rate increases since its inception. This monetary policy will have an effect on the demand side of the real economy across the entire eurozone. The response of the markets is slow and the response rate varies from one market sector to another. In the housing market, higher mortgage rates have been reducing prices since the end of 2022. In the meanwhile, business investments are also declining, there are fewer corporate credit applications and entrepreneurs opt more often for short-term financing. In 2023, the impact of higher interest rates on the European economy will continue to increase.

The worldwide monetary tightening by central banks is holding back international demand, which means that exports will rise less sharply in 2023 (3.7%) and 2024 (2.3%) compared to last year. The fact that exports continue to grow in spite of this is mainly due to the export of goods produced in the Netherlands. Exports of services (e.g. travel, transport and business services) fell sharply. Other business services are also lagging behind, such as the export of intellectual property. This is predominantly due to amended tax rules, which have made exports of intellectual property via the Netherlands less attractive, for example.

The labour market remains tight in 2023; both labour demand and employment rates are at historically high levels. According to the most recent figures from Statistics Netherlands, the unemployment rate was 3.6% in 2022.[9] However, labour demand is cooling slightly and unemployment will rise to 3.9% in 2023 and 4.1% in 2024 according to the CPB forecast. However, expansive budgetary policies will make up for part of the declining labour demand in the private sector through an increase in labour demand in the public sector. In the longer term, the ageing population is expected to keep the labour market tight compared to prior years.

Table 2.2 Labour market developments

	ESA Code	2022 (Level)	2022	2023	2024	2025	2026	2027
				Change compared to prior year (%)				
Employment (x 1000 persons)		9544	3.9	1.4	0.3	0.0	-0.1	-0.1
Employment, no. hours worked (in millions)		14515.9	4.3	1.2	0.4	0.1	0.0	0.0
Labour productivity, persons		93.0	0.6	0.2	1.1	1.1	1.2	1.2
Labour productivity, no. hours worked		65.0	0.3	0.4	1.0	1.0	1.1	1.1
Payroll of employees (in billions)	D.1	449.8	7.1	7.3	5.5	5.3	4.9	4.2
Compensation per employee (€) (x1000)		31.0	3.3	5.9	5.1	5.2	4.9	4.2

[6] CPB Netherlands Bureau for Economic Policy Analysis. Central Economic Plan 2023.
[7] ABN AMRO. Prospect of Dutch Economy – Despite a recession being kept at bay, economic growth will decline in 2023
[8] Rabobank. Dutch inflation monitor.
[9] Statistics Netherlands. Unemployed.

							% of working population
Unemployment (% of working population)[10]	349.0	3.5	3.9	4.1	4.2	4.4	4.6

Source: CPB (Netherlands Bureau for Economic Policy Analysis)

The collective expenditure ratio increases in 2023 compared to 2022 as a result of temporary measures. Particularly the energy price cap, the Energy Cost Contribution for energy-intensive SMEs, the temporary increase in social security expenditure, and the earmarked funds for the sheltering of refugees from Ukraine, are causes of additional temporary expenditures. The expenditure ratio will decline again from 2024 onwards, as the Energy Cost Contribution and extraordinary energy measures phase out and the costs for sheltering refugees also decreases. To that effect, the cover of these measures has not yet been fleshed out, which is part of the ongoing budget negotiations.

On the basis of the 2023 CEP projection, the CPB expects that a recession in the eurozone will not materialise. This is despite the structurally higher energy prices and the increased economic uncertainty caused by the Ukrainian crisis. Economic growth for the eurozone will be 0.8% in 2023. Inflation is expected to decline further in 2024 and economic growth is expected to increase to 1.5%.

After a historic decline in purchasing power in 2022, a less marked decline in purchasing power is expected in 2023 and even an upswing in purchasing power in 2024. According to the CPB forecast the purchasing power of a median household decreased by 2,7% in 2022. The CPB forecasts that the purchasing power of median households will decrease by 0.2% in 2023, but will increase by 2.0% in 2024. Policies such as the introduction of the price cap, the increased statutory minimum wage and various income support measures, contribute to the almost unchanged purchasing power in 2023. Lower incomes have benefited most from the policies pursued. Their purchasing power is increasing, but account should be kept of the fact that this group often has to spend a larger proportion of their income on energy. This inflation inequality is not included in the purchasing power calculations. The increase in 2024 is mainly due to wages rising faster than prices and because of the delayed impact of inflation on the parameters of the tax system (such as indexation of the employed person's tax credit). At the same time, the CPB forecasts that poverty will increase in 2024, mainly under benefit claimants, due to the disappearance of temporary policies.

Table 2.3 External assumptions

	2022	2023	2024	2025	2026	2027
Short-term interest rate (annual average)	0.3	3.2	2.9	2.4	2.3	2.4
Long-term interest rate (annual average)	1.4	2.3	2.3	2.2	2.3	2.3
USD/€ exchange rate (annual average)	1.1	1.1	1.1	1.1	1.1	1.1
Nominal effective exchange rate*	-2.3	1.6	0.5	0.6	0.8	0.8
GDP growth, World excluding EU	3.6	3.2	3.6	3.5	3.3	3.4
GDP growth, EU	3.5	0.8	1.5	1.4	1.2	1.1
Growth of relevant foreign markets	6.9	2.2	2.9	2.9	2.8	2.6
World import volume, excluding EU	5.4	2.6	3.4	3.3	2.8	2.8
Oil price (Brent, USD per barrel)	100.8	84.3	79.7	75.3	72.0	69.4

* percentage changes in respect of a basket of trading partners
Source: CPB (Netherlands Bureau for Economic Policy Analysis)

Strategy for vulnerable households

In the past year, high energy prices caused financial difficulties for many households. During 2022, the government provided support measures for 2022. But for 2023, the government

[10] 349.0 shows the number of unemployed of the working population x1000

has adopted an historically large package of measures, both structural and extraordinary, to mitigate the effects of rising energy prices. The energy price cap limits the uncertainty for households.

The Dutch and European society will have to adapt to the expected structurally higher energy prices. This adaptation will not happen automatically and will require behavioural changes from all of us, businesses as well as households. The government is aware that this is not a matter of course for everyone. The government sees it as its task to ensure that households who are vulnerable to the effects of high energy prices can also cope during this gradual scale down of temporary support measures.

Economic scenarios in respect of energy prices

As the development of energy prices is uncertain, partly depending on the temperature, the CPB has also developed a scenario in which energy prices will rise at the end of 2023 due to a harsh winter and the lingering effects into 2024. The CPB expects that if winter remains mild, the current market price of €50 per MWh for gas will remain relatively stable and will only increase slightly at the end of the year. As European gas supplies will still be well stocked, the economic risk in energy markets seem to be limited. However, a harsh winter at the end of 2023 could lead to a further increase in the price of energy. Gas supplies would then be depleted faster than in the basic CPB projection. Those supplies should then be replenished at higher actual prices. This scenario is calculated using a 15% higher gas consumption than in an average winter. In 2024, the lingering effects of a harsh winter will still be felt, as a larger proportion of supplies would have to be replenished at a higher gas price than in the basic projection.

Should the winter turn out to be harsh, then purchasing power will reduce and low-income households will be hit hardest. In the harsh winter scenario, inflation will be 3 percentage points higher in 2024, causing the purchasing power to reduce. This will lead to less consumption, which means that a harsh winter in this scenario suppresses economic growth by 1 percentage point in 2024. Low-income households will be affected more by higher energy prices than the median purchasing power figures show, because energy accounts for a larger share of their spending. Targeted support for financially vulnerable households is therefore more urgent in this scenario.

Measures such as the price cap have confined the impact of a higher gas price in 2023 for households, but in the event of a harsh winter, the cost of the price cap could reach up to €5.4 billion. Due to lower economic growth, tax revenues are lower. At the same time, the impact on the general government balance is limited, because gas benefits for the government will increase by about €7 billion in 2024.

Table 2.4 Basic projection and harsh winter scenario, 2022-2024

	2022	2023	2024	2023	2024
	Basic projection			*Harsh winter scenario*	
Gross domestic product (GDP, economic growth, %)	4.5	1.6	1.4	1.6	0.4
Household consumption (volume in %)	6.6	1.7	1.4	1.7	0.0
Unemployed working population (level in %)	3.5	3.9	4.1	3.9	4.2
National consumer price index (CPI, %)	10.0	3.0	3.1	3.0	6.3
Purchasing power; static; all households median (%)	-2.7	-0.2	2.0	-0.2	-0.8
General government balance (level in % of GDP)	-0.7	-3.0	-2.6	-3.2	-2.8

Source: CPB Netherlands Bureau for Economic Policy Analysis.

CHAPTER 3: BUDGET BALANCE AND GOVERNMENT DEBT

In 2022, the general government balance and government debt were more favourable than projected in the 2022 Stability Programme. According to the CPB, the balance was -0.7% of GDP and the debt was 49.3% of GDP, while a more recent publication by Statistics Netherlands shows an achievement of 0.0% of GDP and 51.0% of GDP respectively. For 2023, the CPB forecasts a general government balance of -3.0% of GDP, while the general government debt drops to 48.5% of GDP. This chapter further explains the expected budget balances and the debt ratios for the coming years.

Guidelines for the 2024 budgetary policy

At the end of 2023, the general escape clause of the Stability and Growth Pact (SGP) will be deactivated. This means that the temporary divergence from the European budgetary requirements will come to an end. This is stated by the EC in the Fiscal policy guidance for 2024. This escape clause was activated in March 2020 in response to the severe economic consequences of the corona crisis. At the same time, discussions on the future economic governance framework are currently in full swing. In combination with the new economic reality after the pandemic, the EC therefore does not consider it appropriate to apply the full set of rules of the Stability and Growth Pact that applied prior to activation of the general escape clause. Nevertheless, the current legal framework remains applicable until there is a new legal framework. Within these frameworks, the EC will make proposals to Member States in May for quantitative country-specific recommendations from the Council for budgetary policies in 2024.

The EC invites Member States to include in their Stability Programme budgetary targets that meet the established criteria for budgetary adaptation. One of the key principles of the current legal framework is an improvement of the structural budget balance by 0.5% of GDP per year as a benchmark. At this point in time, there is considerable uncertainty about both the macroeconomic development as well as the budgetary situation. It is for this reason that the EC will propose to the Council to only initiate an excessive deficit procedure in the spring of 2024 on the basis of the 2023 budget deficit, based on the European reference value of the general government balance (-3% of GDP). Member States with debt ratios above 60% of GDP will have to explain how this deficit will be reduced in the medium-term. However, in 2024, Member States will not enter an excessive deficit procedure on the basis of the debt criterion (60% of GDP). In addition, Member States must discuss how their reform and investment plans are expected to contribute to budgetary sustainability and sustainable and inclusive growth. A detailed description of the government's investment plans is provided under the heading *Investments* later in this chapter.

Budget balance

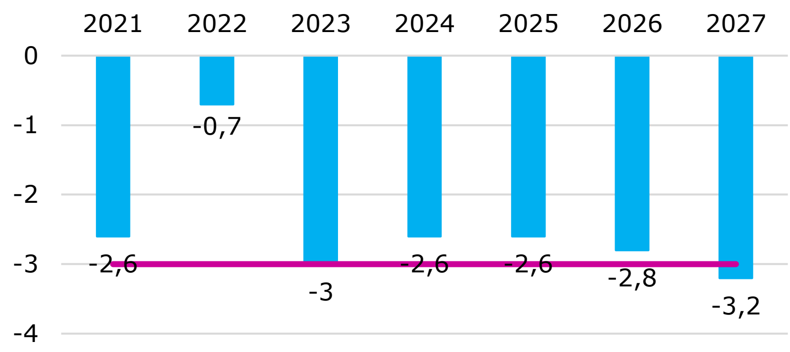
Figures by Statistics Netherlands show a balanced budget (0.0% of GDP) for 2022. This is a significant improvement in the general government balance than expected in the 2022 Stability Programme (-2.5% of GDP). The CEP still assumed a general government balance of -0.7% of GDP for 2022. For 2023, the CPB forecasts a deterioration in the budget deficit to -3.0% of GDP. This is due to rising interest expenditure, disappointing gas revenues, the energy package's costs and estimated expenditure directly related to the war in Ukraine. With a general government balance of -3.0% of GDP in 2023, the European reference value is reached. The expected medium-term development of the general government balance is presented in Figure 3.1.[11]

Following an improvement in the general government balance in 2024 (-2.6% of GDP) the balance is expected to deteriorate gradually to -3.2% of GDP in 2027. In its coalition agreement, the government deliberately opted for an expansive budgetary policy, with investments in important social issues such as climate, education and the housing market. In doing so, the government follows the country-specific recommendations to invest in these elements and accepts

[11] This chart shows the figures in the 2023 Central Economic Plan (CEP). Based on figures by Statistics Netherlands, a general government balance of 0.0% of GDP was achieved in 2022.

a temporary deterioration of the debt to address these major societal challenges. On the other hand, these investments have a negative impact on the general government balance in the short term. The projected general government balances that fluctuate around -3% of GDP are therefore in line with expectations. On the basis of these figures, there is no reason to expect the Commission and the Council find a situation of an excessive deficit in the spring of 2024. The gradual deterioration of the general government balance from 2024 onwards is due, inter alia, to demographic developments, which lead to higher expenditure on healthcare and social security. Furthermore, the CPB forecasts that the under-utilisation will disappear in the medium-term and that several intensifications in the coalition agreement will only start later. Finally, interest expenditure will also grow over time. However, in the budgetary system, this expenditure should be compensated within the expenditure ceiling.

Figure 3.1 Development and projection of actual general government balance (in % of GDP)



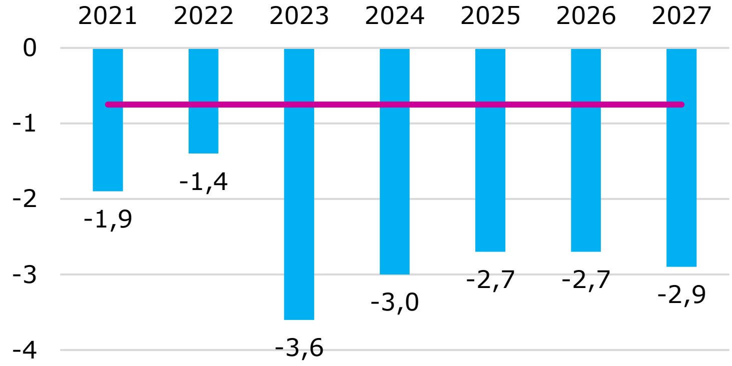
Source: CPB Netherlands Bureau for Economic Policy Analysis

In the harsh winter scenario, the general government balance is expected to deteriorate in 2023 and 2024. The CPB forecasts that the general government balance will be reduced by 0.2 percentage points in the event of a bad winter. In real terms, the general government balance would deteriorate to -3.2% of GDP and -2.8% of GDP respectively in 2023 and 2024 in respect of the projected -3.0% and -2.6% of GDP in the basic scenario. The main reasons for deterioration of the balance are higher price cap costs and lower tax revenues due to reduced economic growth. On the other hand, there are higher gas revenues, which means that the impact of a harsh winter on the balance below the line is relatively limited.

The expansive budget for 2023 is at odds with this year's country-specific budgetary recommendations. With its ambitious investment agenda, the government focuses on major societal challenges, for example in the areas of climate, education and the housing market. The government accepts a temporary deterioration in public finances because these investments contribute to the prosperity of future generations and deferment leads to higher spending in the future. Over and above this expansive policy there is still the rising interest expenditure, disappointing gas revenues, the energy package’s costs and estimated expenditure directly related to the war in Ukraine. The approach is to seek cover for this, so that budgetary policy is neutral in respect of the framework as set out in the coalition's Initial Policy Memorandum.

The preventive arm of the SGP requires that Member States comply with the structural balance for the medium-term, the MTO (medium-term objective). For the Netherlands, the MTO is -0.75% of GDP. Member States who do not comply with the MTO yet must show sufficient improvement annually in their structural balance towards the MTO, with an improvement of 0.5% of GDP per year as a benchmark. The projected structural general government balance in Figure 3.2 show that the Netherlands does not comply with the MTO (indicated by a pink line). Member States with a structural balance that is more negative than the MTO must also adhere to the expenditure benchmark. This benchmark prescribes that non-cyclical expenditure growth, insofar as this is not compensated by a policy-related increase in revenues, lags behind (if the MTO has not been reached yet) or is equal (if the MTO is reached) to the potential growth of the economy. Application by the EC of the general escape clause due to corona and the economic uncertainty resulting from the war in Ukraine provide grounds for exception of these requirements for 2023, but the Council has made qualitative recommendations, in particular to not pursue expansive budgetary policies in a context of high inflation. For 2024, when the general escape clause has been lifted, the EC will, based on the existing legal framework, assess the Stability Programme in line with the guidelines for the 2024 budgetary policy, but will not apply what is known as the 'matrix of requirements' nor the 1/20th criterion for scaling down debt above 60% of GDP. The expected development of the structural general government balance is shown in Figure 3.2. For 2024-2025, development is in line with an improvement of 0.5% of GDP per year as a benchmark.

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

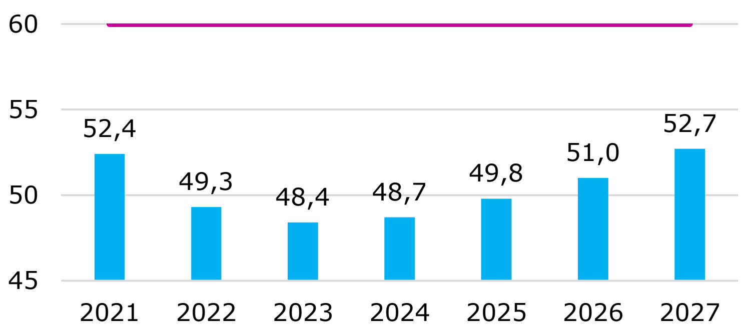


Source: CPB Netherlands Bureau for Economic Policy Analysis

Government debt

According to Statistics Netherlands, at the end of 2022 general government debt stood at 51.0% of GDP, well below the European reference value of 60% of GDP. This is significantly lower than the 53.8% of GDP expected in the 2022 Stability Programme. The CEP projection still assumed a general government balance of 49.3% of GDP. This difference can largely be explained by the denominator effect: due to the high inflation rate and forecasteconomic growth, the nominal size of the Dutch economy increases. Based on the CPB forecast, the debt ratio will drop to 48.4% of GDP in 2023. Subsequently, the debt will increase to 52.7% of GDP in 2027. This means that debt remains below the European reference value of 60% of GDP throughout the entire period. The expected development debt over the medium-term is shown in Figure 3.3.

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



Source: CPB Netherlands Bureau for Economic Policy Analysis

Development of public debt and budget deficit remain uncertain. Projections and outcomes may vary substantially. For example, in the 2022 Central Economic Plan, the 2022 balance was still projected at -2.5% of GDP, whereas figures by Statistics Netherlands show that a balanced budget was ultimately achieved. The same figures show a debt of 51.0% of GDP, while the 2022 CEP projected it at 53.8% of GDP. The projection of the 2023 balance in the 2023 CEP (-3.0% of GDP) has been revised downwards in respect of a year earlier (-2.3% of GDP). Over the same period, the projection of debt in 2023 was also revised downwards; with 53.1% of GDP in the 2022 CEP in relation to 48.8% of GDP in the 2023 CEP. As long as the uncertainties associated with high inflation and the war in Ukraine persist, the projections will continue to be surrounded by uncertainties.

Investments

In its country-specific recommendations for the Netherlands, the Council of the European Union stressed the importance of investing in infrastructure, climate and the housing market. Investment in a sustainable and inclusive economy is also reflected in the *Fiscal policy guidance for 2024*. The government responded to this in the coalition agreement with the presented investment agenda by investing in, for example, childcare and education. This ambitious investment agenda will help to increase the budget deficit and public debt over time. The 2023 CEP shows that the budget deficit increases to 3.7% of GDP and the debt to 60.4% of GDP in 2031.

In the coalition agreement, the government has set an ambitious investment agenda with investments in major societal challenges. For instance, over the next decade the government will allocate €35 billion to a climate and transition fund, to create, among other things, the necessary energy infrastructure and to make the built environment more sustainable. With this, the fund contributes to a climate neutral Netherlands and to achieving the targets of the European Green Deal. In addition, a cumulative transition fund (National Programme for Rural Areas) of €25 billion will be made available until 2035 to address the challenges of agriculture and nature. With this fund, the government will also focus on nitrogen reduction, nature restoration and making agriculture more sustainable. In the area of infrastructure, €1.25 billion will structurally be allocated to eliminate backlogs in management and servicing. An amount of €7.5 billion will also be added to the Mobility Fund to improve accessibility of fourteen urban development areas. With regard to housing construction, the government is accelerating the construction ofup to 100,000 homes per year, with special attention for first-time buyers, senior citizens and middle-income earners. Moreover, several investments in education have been announced. To improve educational quality and to enhance equality of opportunity, a structural investment of €1 billion per annum is being made. In addition, a total of €5 billion will be invested over the next decade to promote free and impartial research and development. Along with investments in the coalition agreement, the National Growth Fund was established in 2020 to invest in the structural and sustainable earning capacity of the Dutch economy. In the years 2020 – 2024, €20 billion will be made available for projects in the fields of knowledge development and research, development, and innovation. The CPB forecasts that the tight labour market leads to a slowdown in the spending of budgeted funds.

The increase in government debt remains limited notwithstanding the additional expenditure. The CPB forecasts an increase to 60.4% of GDP in 2031. Nevertheless, additional expenditure will lead to a deterioration in public finances in the short term. The government has deliberately opted for this based on the belief that investments will help society and that deferral in future will lead to higher costs and loss of widespread prosperity. The policy mix of public expenditure shifts from consumer spending to investments for the purpose of major societal challenges. This is also in line with the *Fiscal policy guidance for 2024*. Investments tentatively lead to higher expenditure and coincide with an increase in expenditure related to ageing of the population. The additional expenditure is reflected in the structural general government balance, which is expected to decrease to -3.3% of GDP in 2031. Since most investments are sporadic, deterioration of the structural balance resulting from them will also be tentative. In addition, these expenses prevent higher costs in the future.

In the coalition agreement, the government announced that it will take measures to get the debt on a descending path. For example, the government announced that it will progressively separate housing and care for the elderly in the care sector. This will encourage the elderly to live independently at home for longer. In concluding the Comprehensive Care Agreement, a structural saving of €1.5 billion is expected. This includes care-specific arrangements and budgetary frameworks, including spending reductions in the care sector. When combined, the coalition agreement's measures in the care sector structurally constrain healthcare expenditure by €2.1 billion per year in 2028. This figure will rise further to €4.2 billion in 2052. All in all, the government considers that additional expenditure is necessary and financially responsible.

The Dutch Recovery and Resilience Facility (RRF) consists of a combination of 21 reforms and 28 investments worth €4.7 billion.[12] The Netherlands is now focusing on implementation of the plan, including achieving the 33 milestones and targets planned for the first payment orders. Many milestones and targets that are part of the initial payment order have already been achieved or are at an advanced stage. The Netherlands is committed to submitting this payment order of €1.4 billion by the end of 2023.

The combination of reforms and growth-enhancing investments is expected to contribute to productivity and long-term growth. This is thanks to measures in the areas of education, research and development and the further digitisation of the Dutch economy, as well as reforms of the energy market and in the labour market. In addition, the RRF will contribute to inclusive growth through reforms and investments in the green and digital transition. It is expected that 25.6% of the financial resources will be used for the digital transition and 47.8% of the financial resources will be used for the green transition.

Ukraine

As a result of the Russian invasion of Ukraine, millions of Ukrainians have been displaced, and a large number of refugees have now arrived in the Netherlands. The forecasts in the 2022 Autumn Memorandum suggest a total sheltering of 75,000 displaced persons from Ukraine, for which resources will be made available. The forecast of the number of displaced persons was based on the period up to the second quarter of 2023. A new forecast including a series of budgets will be published in the 2023 Spring Memorandum. In the 2022 Autumn Memorandum the costs in 2022 that were directly related to the war in Ukraine were estimated to be €4.5 billion.[13]

By applying support measures and an energy price cap, according to the CPB forecast the government has been able to mitigate the greatest impact of rising energy prices on the purchasing power of households in 2023, especially for the most vulnerable households. Examples of measures include the energy price cap and the energy surcharge. These measures had to be taken quickly, making them rather generic. However, the government considered this necessary to remove uncertainty among households. Companies were also supported by means of the Energy Cost Contribution for energy-intensive SMEs. These extensive support measures also have significant budgetary implications. For instance, the costs of the price cap was projected at €9.7 billion in 2023, whereas the costs of the Energy Cost Contribution was projected at €1.7 billion. Table 3.1 presents the full detailed cover for energy measures based on the 2022 Autumn Memorandum. This detailed cover is part of the pre-Spring Memorandum consultations.

The final costs of the energy package are likely to be significantly lower than expected in the 2022 Autumn Memorandum. The reason for this is that energy prices were much lower than expected last winter, which reduced costs for, among other things, the price cap and the Energy Cost Contribution. An update of these figures will be presented in the Spring Memorandum. Moreover, it is important to mention that the detailed cover for the energy package in the harsh winter scenario[14] is based on CEP figures instead of the 2022 Autumn Memorandum.

[12] Cumulative expected receipts from the fund for the period 2023-2026.
[13] Appendix 4: Expenditure overview Ukraine | Ministry of Finance – National Government (rijksfinancien.nl)
[14] Chapter 2, page 10.

Table 3.1 Energy package based on status of Autumn Memorandum	**2022**	**2023**
In millions of euros (excl. HGIS)		
Alternative price cap from 1 November to 1 January	3154	0
Temporary price cap	0	9748
Advance on price cap	1452	0
Caribbean Netherlands price cap*	0	15
Energy Cost Contribution	0	1700
Implementation costs Energy Cost Contribution and Price cap*	1	60
Guarantee facility Green SME loans (BMKB-G)	7.7	0
Cover for Energy tax	0	-5400
Solidarity levy	-3234	0
Inframarginal levy	0	PM
*Part of the costs will continue in 2024		

Source: 2022 Autumn Memorandum

CHAPTER 4: COMPARISON WITH PREVIOUS STABILITY PROGRAMME

Compared with the Stability Programme of April 2022, the forecasts have been adjusted. The actual 2022 figures are more favourable than was expected a year ago. For example, a balanced budget was reached in 2022, whereas a deficit of 2.5% was forecast. However, for both 2023 and 2024, a lower balance is forecast in the new CEP projection compared to the previous year's projection. Both the achieved general government debt in 2022 as well as the forecast general government debt in 2023 and 2024 are lower than in the 2022 forecast. The actual development, however, is surrounded by uncertainty and is sensitive to general economic development.

Comparison with the 2022 Stability Programme

The Dutch economy is generally in better shape than what was forecast by the CPB in the 2022 CEP projection. According to the latest figures by Statistics Netherlands, the debt ratio at the end of 2022 was 51.0% of GDP and there was a balanced budget. In the 2023 CEP projection by the CPB, particularly the general government debt in 2023 and 2024 is forecast to be lower than in 2022. Between the forecasts for 2022 and 2023 there is only a minor negative difference in the forecast general government balance for 2023. For 2022, economic growth was better than forecast, mainly due to the end of corona measures in March 2022, which led to a spending boost.[15] However, for 2023 and 2024, GDP growth is forecast to be lower than that achieved in 2022.

The general government balance in 2022 was much more positive than expected. A lower general government balance is expected, however, for both 2023 and 2024 than predicted in the previous Stability Programme. The forecast of the general government balance in 2022 was -0.7% of GDP according to the CPB and actually 0.0% according to Statistics Netherlands, whereas the previous Stability Programme forecast a balance of -2.5% of GDP. The end of the corona measures in March 2022 triggered a revival of the economy, which increased tax revenues.[7]

General government debt is lower than expected at the time of the previous Stability Programme. In 2023, general government debt is expected to be 48.4%, instead of the 53.1% expected last year. Debt is currently expected to increase slightly to 48.7% of GDP in 2024, whereas the previous forecast expected a debt of 52.7%. This difference is mainly due to the denominator effect of high inflation.[16]

Table 4. Divergence from 2022 Stability Programme

in % of GDP	ESA Code	2022	2023	2024
Real GDP growth				
Forecast 2022 CEP		3.6	1.7	2.0
Current update/forecast		4.5*	1.6	1.4
Difference		0.9	-0.1	-0.6
General government balance	EDP B.9			
Forecast 2022 CEP		-2.5	-2.3	-2.5
Current update/forecast		0.0*	-3.0	-2.6
Difference		2.5	-0.7	-0.1
General government debt				
Forecast 2022 CEP		53.8	53.1	52.7
Current update/forecast		51.0*	48.4	48.7
Difference		-2.8	-4.7	-4.0

*Source: CPB (2022 CEP AND 2023 CEP). *This was achieved according to Statistics Netherlands.*

[15] Statistics Netherlands. The Dutch economy grew by 4.5 percent in 2022.
[16] DNB. Economic Outlook and Prospects.

CHAPTER 5: SUSTAINABILITY OF PUBLIC FINANCES

In addition to short-term development of the general government balance and general government debt, the government attaches importance to sustainability of Dutch public finances in the medium- to long-term. Both the CPB and the European Commission (EC) regularly calculate this sustainability. This chapter discusses the sustainability of Dutch public finances. An overview is also presented of the National government's contingent liabilities. These liabilities could have budgetary consequences in the future.

Sustainability factors

Development of public expenditure and revenue depends to a large extent on demographic developments. The proportion of over-65s in our total population will increase to more than a quarter by 2040. This is why public pension expenditure (AOW) and healthcare expenditure will increase in upcoming decades. Although reforms already undertaken in the area of healthcare and pensions cause an easing of the increase, these public expenditures will continue to increase in future. Concurrently, government revenues increase, particularly through policies implemented with effects after 2025, such as the scale down in the rate of mortgage interest tax relief and the limited indexing of the second tax bracket for pensioners.

The EC forecasts the sustainability of finances of Member States, including that of the Netherlands. The EC forecast two different indicatorsand published them in the Fiscal Sustainability Report (FSR) 2021.[17] On the one hand, there is the S1 indicator, which shows how much budgetary manoeuvre a Member State needs over the next five years to reach a debt ratio of below 60% in fifteen years' time. In this respect, the Netherlands has a deficit of 1.4% of GDP. This means that an adjustment in the primary balance of 1.4% of GDP is needed to reach a debt ratio below 60% of GDP in fifteen years. On the other hand, there is the S2 indicator, which is similar to the sustainability balance calculated by the CPB and indicates long-term sustainability. According to this indicator, the Netherlands has a sustainability gap of 5.3% of GDP. This means that a permanent and immediate adjustment of the primary balance of 5.3% of GDP is needed to stabilise the debt. The EC rates both indicators as an average risk. There are no direct consequences based on the SGP point of view. The EC, just like the CPB, concludes that the medium-term to long-term sustainability deficits are caused by higher expenditure on pension incomes and prolonged care due to an ageing of the population.

Public finances in the medium-term

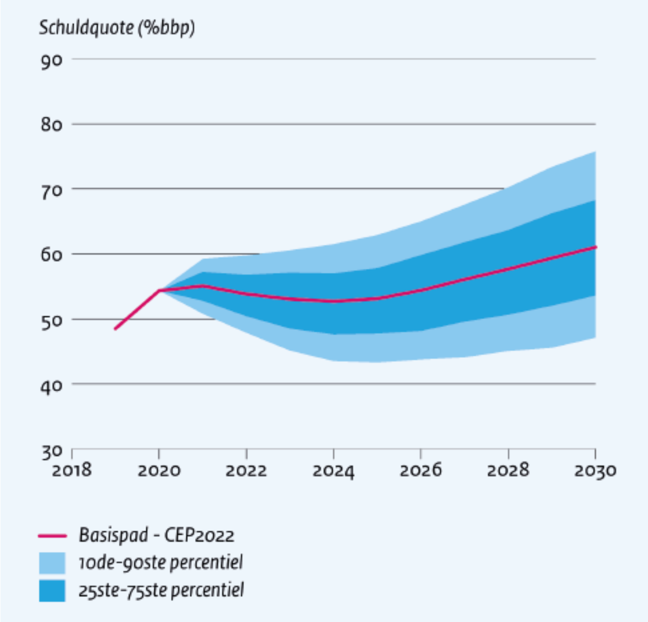
According to the CEP projection, the debt ratio is expected to rise for the years after the government's term of office to 60.4% of GDP and the budget deficit to 3.7% of GDP in 2031. Where the CPB still assumes a significant under-utilisation of the budget in the coming years, this effect is expected to decrease in the medium-term. At the same time, additional expenditure from the coalition agreement will increase even further. Combined with the effects of an ageing population and accrued interest, this will lead to a deterioration of public finances in the medium-term. A marginal note here is that the investments will also have benefits, leading, for example, to a better climate and environment, as well to a higher growth potential in the long-term. These benefits are only taken into account to a limited extent. The CPB forecast predicts that both the debt and the deficit could exceed the EU reference values over time.

The CPB has developed a model to show the uncertainties in the development of general government debt. This new analysis – known as a debt sustainability analysis (DSA) – is in line with the IMF method.[18] It is similar to the EC methodology for stochastic medium-term debt analyses. In this stochastic model, simulations of debt developments are made for various projections of economic growth, interest and the primary balance. The most recent analysis in the 2023 Budget Memorandum was made based on the 2022 CEP and extrapolates through to 2030

[17] The FSR 2021 was published on 25 April 2021.
[18] https://www.imf.org/external/pubs/ft/dsa/mac.htm

(see Figure 5.1). Based on this analysis, general government debt is likely to remain at relatively prudent levels over time. But, even in the medium-term basic scenario, the debt ratio exceeds the European reference value of 60% of GDP. Demographic trends continue beyond 2030, which may lead to a deterioration in sustainability. So, this is a point of concern.

Figure 5.1: Expected debt development up to 2030 (% of GDP)



Source: CPB Netherlands Bureau for Economic Policy Analysis

Contingent financial liabilities

Policy in respect of contingent financial liabilities under risk arrangements is part of the government's budgetary rules. Guarantees, loans or indirect guarantees are examples of a contingent financial government liability to a third party outside the government. This liability is only payable if a certain circumstance (outcome of a risk) arises for the counterparty. Although new risk arrangements are sometimes necessary, the government acts in the most cautious manner possible when concluding the new risk arrangements. After all, risk arrangements involve a contingent financial liability that entails risks for the budget.

The government maintains a 'no, unless' policy in respect of risk arrangements. In doing so, the government not only looks at new arrangements, but is also cautious (in the relaxation of) existing arrangements. In principle, proposals for new risk arrangements are part of the primary decision-making moment in the spring and subject to a policy framework. For example, a sunset clause applies to all risk arrangements. In addition, the government's risk arrangement almost always has a maximum, otherwise known as a ceiling. This ceiling may be an annual ceiling (maximum number of guarantees to be granted per year) or a total ceiling (no more guarantees to be granted than the ceiling).

To arrive at a thorough weighing of the risks involved in a risk arrangement, an assessment framework has been developed.[19] The three core elements of the assessment framework are: (i) rationale for government intervention and choice of instruments (usefulness and necessity); (ii) governance of risks, both ex ante and ex post; and (iii) pricing of risks including both implementation costs and costs of losses. The Assessment Framework for Risk Arrangements is always sent to parliament when assessing a new risk. A second opinion will be requested from an

[19] Government Assessment Framework Risk Arrangements (p. 12-14)
https://www.rijksfinancien.nl/sites/default/files/bestanden/formatie2021/Begrotingsregels%202022-2025.pdf

independent, specialist party with regard to governance of risks and the setting of premiums for major and complicated risks.

During times of crisis, risk arrangements, such as guarantees and loans, could be an efficient way to temporarily dispel increased risks in the market. These types of schemes are primarily designed to limit the damage to the economy and not (like regular schemes) to resolve market failures. These arrangements are required to be temporary with a shorter sunset clause. Examples of this are the various schemes introduced during the corona crisis. Considering the urgency and severity of the crisis, the Dutch government decided at the time to temporarily derogate from three common principles within the policy. For example, the extent to which premiums for risk arrangements matches market requirements has been examined less strictly. In the second instance, the corona risk arrangements are covered by general government and not by a specific ministry. And thirdly, decisions regarding risk arrangements have been taken much faster than usual because of the urgency of the corona crisis. However, many of these corona-related schemes have already been abolished or are in the process of being phased out. In 2022, the corona-related guarantees mainly consisted of international guarantees: Support to mitigate Unemployment Risks in an Emergency (SURE) and Next Generation EU (NGEU). Aside from the corona crisis, the war in Ukraine is now also an issue. The government is in solidarity with Ukraine and supports the country wherever possible, including in the form of new guarantees and loans. For example, a number of international schemes have been raised as a result of this war. This includes national and international guarantees to the World Bank, the European Commission and the IMF in addition to bilateral loans between Ukraine and the Netherlands.

Table 5.1 Public guarantees

In % of GDP	**2021**	**2022**
Public guarantees	24.6	23.4
of which: associated with the financial sector	19.5	19.2
Asian Infrastructure Investment Bank (AIIB)	0.1	0.1
DNB - participation in IMF capital	3.5	3.3
European Bank for Reconstruction and Development (EBRD)	0.1	0.1
European Financial Stabilisation Mechanism (EFSM)	0.3	0.3
European Financial Stability Facility (EFSF)	4.0	3.7
European Investment Bank (EIB)	1.4	1.3
European Stability Mechanism (ESM)	4.1	3.8
Development Finance Company (FMO)	0.6	0.6
EU Balance-of-payments (BoP) assistance	0.4	0.4
Next Generation EU (NGEU)	3.2	4.1
Single Resolution Fund	0.5	0.4
Support to mitigate Unemployment Risks in an Emergency (SURE)	0.7	0.7

Source: 2022 Financial Annual Report of the National Government

The total amount of outstanding government guarantees in 2022 amounts to €217.9 billion, of which €170 billion are ordinary guarantees. Approximately €48 billion of this is still corona-related, of which €45 billion consists of guarantees for the European recovery plans SURE and NGEU. In 2021, the total amount was €211.6 billion, of which €173 billion were ordinary guarantees. In 2023, the outstanding guarantees are expected to be €221 billion. Development of guarantees in 2022 compared to 2021 is shown in Table 5.1. The guarantees specifically mentioned all have a present risk that is > €0.5 billion and are associated with the financial sector. Through the financial sector, these guarantees assist the real economy abroad and stem from international agreements, such as NGEU, the IMF and international development banks. The total amount of public guarantees in % of GDP has decreased in 2022 compared to 2021: from 24.6% of GDP to 23.4% of GDP.

Aside from guarantees, the Netherlands also has other conditional liabilities, namely indirect guarantees. An overview of the outcomes in 2021 and 2022 is shown in Table 5.2. This concerns a total rounded off sum of €284 billion in 2022. This is a decrease compared to 2021. Development of the total amount in 2023 is uncertain. 70% of the total number of indirect guarantees is part of the Homeownership Guarantee Fund (*Waarborgfonds Eigen Woning, WEW*), including the National Mortgage Guarantee (*Nationale Hypotheek Garantie, NHG*). Due to a downward (or upward) trend in housing prices, and thus the value of mortgages, the present risk in the National Mortgage Guarantee scheme reduces (or increases). Given the current uncertainty about price developments in the housing market, it is difficult to estimate development of the total amount.

The risk of indirect guarantees essentially differs from risk that the government runs for guarantees. Firstly, in the case of an indirect guarantee, the guarantee obligation is not issued directly by the government but by a specially designated indirect guarantee fund, allowing the government to merely act as an indirect guarantor. Secondly, the financial security of indirect guarantees have multiple layers, which limit risks for the government. For example, participants in the Guarantee Fund for the Healthcare Sector (*Stichting Waarborgfonds voor de Zorgsector, WFZ*) and the Social Housing Guarantee Fund (*Waarborgfonds Sociale Woningbouw, WSW*), have an obligation to support the fund financially if the fund’s equity drops to below a certain level, known as the liability. Only in an extreme case can the fund rely on the government. A fund then gets an interest-free loan from the national government, sometimes together with local and regional authorities. This loan must be repaid.

Table 5.2 Indirect guarantees

In millions of euro	**2021**	**2022**
Total	285,627	284,367
Guarantee Fund for the Healthcare Sector	6,278	6,147
Social Housing Guarantee Fund (WSW)	83,021	85,003
Homeownership Guarantee Fund (WEW)	196,328	193,217

Source: 2022 Financial Annual Report of the National Government

CHAPTER 6: QUALITY OF PUBLIC FINANCES

The government-wide evaluation system provides information on the effectiveness and efficiency of government policies. This system consists of laws, actors and instruments that provide insight into the quality of policy choices, implementation of these choices, and the results achieved. This chapter successively deals with the Strategic Evaluation Agenda (SEA), planned and achieved policy reviews and regular reports, as well as the Interdepartmental Policy Reviews (IBOs).

Strategic Evaluation Agenda (SEA)

The new Regular Evaluation Research Regulations (RPE) has formally applied since 27 June 2022. The primary reason for a review of the RPE was to anchor the ministerial Strategic Evaluation Agendas (SEAs). An SEA provides an overview of the most important policy topics of a ministry, an explanation on the need for having insight into each topic, and appropriate specified attention for evaluation research as well as regular reports (the successor to policy audits). The years 2021-2023 still apply as transitional years, in which as much work as possible is already being conducted under the new RPE.

Recommendations in the external evaluation into the SEA by Berenschot's research agency, were taken up in 2022. In line with the appeal by the Minister of Finance on presenting the report to the Dutch House of Representatives, it is good to note that initial talks have already taken place between ministries and Parliamentary Committees on the SEA.

Policy audits and regular reports

At Rijksfinanciën.nl a database is accessible with an overview of the ministerial reviews and evaluations (planned and conducted) for which the Ministry of Finance is responsible for managing the system: the policy audits and regular reports (the successor to policy audits). In accordance with the 2022 Regular Evaluation Research Regulations (RPE), ministries can conduct already initiated and planned policy audits up to and including 2023 according to the requirements of the 2018 RPE. From 2024 onwards, policy audits will be fully replaced by regular reports.

An overview of the planning per ministry is also available in the ministerial Strategic Evaluation Agendas (see section 3.3.1). The overall overview of all policy audits and regular reports can be found at *Planned and conducted reviews* *(Ingepland en uitgevoerd onderzoek)* at rijksfinancien.nl.

Interdepartmental Policy Reviews (IBOs)

Interdepartmental policy reviews (IBOs) develop policy options for key policy areas. They are commissioned by the government and are conducted by interdepartmental working groups. IBOs are official reviews which are conducted independently from politics.

In the 2022/2023 round, IBO plans were initiated on Climate, Biodiversity, and the Future-proofness of senior secondary vocational education (MBO). In the 2021/2022 round, IBOs initiated the Distribution of Assets, Public Investments, Juvenile Crime, Control of quality in education, Care for the elderly, and Simplification of social security. The first four IBOs mentioned have already been published. Publication of the IBOs into Care for the elderly and Simplification of social security will take place in 2023. In the 2020/2021 round, IBOs took place into: Financing the energy transition, Defence real estate, Accommodations in education, Spatial Planning, and Agencies. For a complete and up-to-date overview of all published IBOs, refer to the overview *Planned and conducted reviews* *(Ingepland en uitgevoerd onderzoek)* at rijksfinancien.nl.

CHAPTER 7: INSTITUTIONAL FEATURES OF PUBLIC FINANCES

The Stability and Growth Pact (SGP) and the Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union aim to strengthen Member States' budgetary discipline. This is done, among other things, by increasing 'ownership' of the European agreements at Member State level. In conformity with European budgetary agreements, the European budgetary objectives have therefore legally been codified in the Netherlands on a national level in the Sustainable Public Finances Act (Wet houdbare overheidsfinanciën, 'Wet HOF'). As a result of the corona crisis, the general escape clause has been in force since 2020. This allows Member States to temporarily derogate from the usually prevailing budgetary rules in the preventive arm. The escape clause was extended for a year in response to the economic consequences of the war in Ukraine and will expire in 2024. This chapter provides a brief explanation of 'Wet HOF', the interpretation of the independent budget supervision in the Netherlands, the impact of the corona crisis, and the war in Ukraine on compliance with the budgetary rules.

Sustainable Public Finances Act ('*Wet Hof*') and budgetary rules

The core of the Sustainable Public Finance Act ('*Wet HOF*') is twofold. On the one hand, the Sustainable Public Finances Act is a legal codifying of European budgetary agreements. On the other hand, it is emphasised that the Government and local and regional authorities (municipalities, provinces and water boards) should make an equal effort to comply with these budgetary agreements. Additionally applicable for the Government is that the most important basic principles of the Netherlands' trend-based fiscal policy has also been legally codified in this legislation.

Dutch budgetary policy, by tradition, is based on independent projections and analyses by the CPB. Aside from the CPB as an independent forecasting institute, the Sustainable Public Finance Act provides for a prominent role envisaged for the Advisory Division of the Council of State (RvS). Until last year, the Council of State assessed whether envisaged budgetary development of the Netherlands complied with European budgetary developments based on figures by CPB's Central Economic Plan (CEP) in the spring. The Council of State's assessment was available in the spring prior to the government's budgetary decision-making taking place, and could therefore have an impact in a prior phase of the budgetary cycle. From this year onward, the government aims to publish the Spring Memorandum earlier. Given that because of this both the Spring Memorandum and the Stability Programme will be published within the same period, the Council of State publishes a combined report based on the Stability Programme and the Spring Memorandum after both papers have been published. Furthermore, also at the time of the Budget Memorandum in September, the Council of State assesses whether the draft budget complies with European budgetary agreements.

The budgetary rules consist of basic principles, budgetary rules of play, and a technical specification. The basic principles of budgetary policy describe the key starting points and the rationale behind it. The budgetary rules of play ensure that in practical terms the basic principles are respected. These rules are set out in Annex 1 to the Initial Policy Memorandum. The most well-known rules of play are that any overspending of a budget must be compensated and that compensation, in principle, must take place in the same budget where the overspending occurs. Windfalls may not be applied for new invigoration of policy.

Budgetary policy

The Dutch government envisages pursuing a trend-based budgetary policy within the boundaries of European budgetary agreements. The current budgetary rules are based on the three basic principles of Dutch budgetary policy:

- *Efficient allocation of public funds*

  Budgetary policy contributes to the proper allocation of public funds. Budgetary rules create the conditions allowing government and politicians – given the objectives they pursue – to spend each euro as effectively as possible. In so doing, a government carefully weighs up the various choices against each other. To achieve a proper overall balance, budget decisions are taken at a fixed point in time during the year, at what is known as the 'primary decision-making moment'. This moment is in the spring. At this primary decision-making moment, decisions are also made on the main features of revenues. The basis for decision-making in the spring is the CEP by the CPB. In August, the decision-making on purchasing power development will be completed based on a new CPB forecast: the draft Macroeconomic Outlook (cMEV).

- *Control of public finances*
  Controlling public finances, first and foremost, means that a government itself has control of the development of revenue and expenditure and adheres to budgetary commitments in order not to transfer the bill to subsequent generations. That is why, at the beginning of a government's term of office, the cabinet makes clear agreements on what maximum can be spent in one year. This is the expenditure benchmark. It is also agreed to what extent policy-related adjustments of taxes should be per year. This is the revenue framework. Agreements on revenue and expenditure clarify the limits within which budgetary policy can take place. This system is generally perceived as transparent, credible and predictable.
- *Macroeconomic stabilisation*
  The national budget has an important role to play in stabilising the economy on both the revenue side and part of the expenditure side. On the expenditure side of the budget, when the economic tide is favourable, the government will not spend more than the agreed expenditure benchmark. On the other hand, there is no need to cut back when the economy temporarily performs poorly. When additional unemployment and social benefit expenditure therefore occurs during an economic crisis, there is no need to make cuts in other expenditure. On the revenue side of the budget, tax revenues automatically increase in good times. The government does not spend this extra revenue, but uses it to accrue buffers for lesser times.

Public finances in times of crisis

Government debt has remained within bounds due to the accrued buffers and high inflation rate. Between 2019 and 2021, debt increased from 48.5% of GDP to 52.4% of GDP as a result of extensive corona-related measures. Additional expenditure did not result in a problematic rise in debt. Due to inflation, debt reduced again to 51.0% of GDP in 2022 based on the figures by Statistics Netherlands. This means that the debt remains well below the European reference value of 60% of GDP. High inflation has been accompanied by an increase in interest rates, which will structurally lead to higher interest expenditure. This underlines the importance of maintaining buffers in times of economic prosperity.

The government intends to cover the additional expenditure for the energy cap and support measures. With this, the government maintains the prevailing budgetary rules to maintain any transparency and predictability. This is in contrast with the support measures during the corona crisis, which were charged to the budget balance. Decisions were frequently made ad hoc to respond rapidly to developments. Last year's support packages have largely not been placed outside the expenditure ceilings. At the same time, here too ad hoc decisions were regularly made, with a large number of supplementary budgets.

Effective and efficient budgetary policy is an important precondition for the best possible expenditure of taxpayers' money. Comprehensive weighing up and careful decision-making is of major importance in this respect. This means that decision-making is preferably made at a single decision-making moment in which all relevant information is available.

ANNEX 1: STABILITY PROGRAMME TABLES

All figures in the annex are based on the 2023 CEP or on actual figures by Statistics Netherlands.

Table 1a: macroeconomic prospects.

In % of GDP		2022	2022	2023	2024	2025	2026	2027
	ESA Code	*Level*	*Percentage change*					
1. Real GDP	B1*g	943.3	4.5	1.6	1.4	1.1	1.1	1.1
2. Nominal GDP	B1*g		10.1	7.9	4.4	4.0	3.8	3.6
Components of real GDP								
3. Private consumption expenditure	P.3	414.7	6.6	1.7	1.4	1.2	1.4	1.5
4. Government final consumption expenditure	P.3	238.0	0.7	2.8	1.6	1.6	1.5	2.0
5. Gross fixed capital formation	P.51	202.6	3.1	0.3	1.3	1.8	1.3	1.1
6. Changes in inventories (Δ)	P.52 + P.53	-3.0	-0.3	0.2	0.1	0.1	0.0	0.0
7. Exports of goods and services	P.6	875.0	5.3	3.7	2.3	2.5	2.4	2.2
8. Imports of goods and services	P.7	784.1	4.4	4.2	2.5	3.2	2.9	2.9
Contributions to real GDP growth								
9. Final domestic demand		855.3	4.0	1.7	1.4	1.4	1.4	1.6
10. Changes in inventories (Δ)	P.52 + P.53	-3.0	-0.3	0.2	0.1	0.1	0.0	0.0
11. External balance of goods and services	B.11	91.0	1.2	-0.1	0.1	-0.3	-0.2	-0.3

Table 1b: price developments

In %		2022	2022	2023	2024	2025	2026	2027
	ESA code	*Level*	*Percentage change*					
1. GDP deflator		943.3	5.4	6.2	3.0	2.8	2.7	2.5
2. Private consumption deflator		414.7	8.2	6.9	2.5	2.5	2.4	2.3
3. HICP		122.8	11.6	2.9	3.2	2.2	2.2	2.3
4. Public consumption deflator		238.0	4.9	5.7	4.1	3.7	3.2	2.8
5. Investment deflator		202.6	6.4	3.7	1.6	2.1	2.2	2.1
6. Export price deflator (goods and services)		875.0	16.9	0.6	1.6	0.6	0.5	1.0
7. Import price deflator (goods and services)		784.1	20.6	-0.1	1.2	0.0	-0.1	0.6

Table 1c: labour market developments

In %	ESA code	2022 Level	2022 Percentage change	2023	2024	2025	2026	2027
1. Employment, (x 1000 persons)		10137.4	3.9	1.4	0.3	0.0	-0.1	-0.1
2. Employment, no. hours worked (in millions)		14515.9	4.3	1.2	0.4	0.1	0.0	0.0
3. Unemployment (% of working population)		349.0	3.5	3.9	4.1	4.2	4.4	4.6
4. Labour productivity, persons		93.0	0.6	0.2	1.1	1.1	1.2	1.2
5. Labour productivity, no. hours worked		65.0	0.3	0.4	1.0	1.0	1.1	1.1
6. Payroll of employees (in billions)	D.1	449.8	7.1	7.3	5.5	5.3	4.9	4.2
7. Compensation per employee (€)		31.0	3.3	5.9	5.1	5.2	4.9	4.2

Table 1d: sectoral balances

In % of GDP	ESA code	2022 % of GDP	2023	2024	2025	2026	2027
1. Net lending/net borrowing vis-à-vis the rest of world	B.9	6.5	6.6	6.8	6.7	6.7	6.5
Of which:							
- Balance on goods and services		9.6	9.5	9.6	9.5	9.4	9.1
- Balance of primary incomes and transfers		-2.4	-2.2	-2.1	-2.1	-2.0	-2.0
- Capital account		-0.8	-0.7	-0.6	-0.7	-0.7	-0.7
2. Net lending/borrowing of private sector	B.9 EDP	6.8	9.2	9.2	9.0	9.1	9.3
3. General government balance	B.9	-0.7	-3.0	-2.6	-2.6	-2.8	-3.2
4. Statistical discrepancy							

Table 2a: general government budgetary targets broken down by subsector

In % of GDP	ESA Code	2022 Level	2022 % of GDP	2023	2024	2025	2026	2027
Net lending/net borrowing by sector								
1. General government	S.13	-6.7	-0.7	-3.0	-2.6	-2.6	-2.8	-3.2
2. Central government	S.1311	-17.7	-1.9	-3.6	-3.0	-3.2	-3.4	-3.7
3. State government	S.1312							
4. Local government	S.1313	0.8	0.1	-0.1	-0.3	-0.3	-0.2	-0.2
5. Social security funds	S.1314	10.2	1.1	0.6	0.7	0.8	0.8	0.8
Total General government (S13)								
6. Total revenue	TR	410.1	43.5	42.0	41.9	42.4	42.5	42.5
7. Total expenditure	TE	416.8	44.2	45.1	44.5	45.0	45.3	45.7
8. General government balance	EDP B.9	-6.7	-0.7	-3.0	-2.6	-2.6	-2.8	-3.2
9. Interest charges	EDP D.41	4.5	0.5	0.6	0.7	0.7	0.8	0.9
10. Primary balance		-2.2	-0.2	-2.4	-1.9	-1.9	-1.9	-2.2

11. One-off and other temporary measures		1.8	0.2	0.1	0.0	0.0	0.0	0.0
Revenue components								
12. Total taxes (=12a+12b+12c)		244.1	25.9	25.0	25.0	25.2	25.5	25.5
12a. Taxes on production and imports	D.2	107.9	11.4	11.8	11.8	11.7	11.7	11.7
12b. Current taxes on income and wealth	D.5	133.5	14.2	12.9	13.0	13.2	13.6	13.5
12c. Capital taxes	D.91	2.6	0.3	0.3	0.3	0.3	0.3	0.3
13. Social contributions	D.61	124.1	13.2	13.3	13.2	13.8	13.7	13.8
14. Property income	D.4	10.8	1.1	0.6	0.6	0.5	0.4	0.4
15. Other		31.0	3.3	3.1	3.1	3.0	2.9	2.8
16. Total revenue (=6)	TR	410.1	43.5	42.0	41.9	42.4	42.5	42.5
17: Tax burden		368.8	39.1	38.3	38.1	38.8	39.1	39.2
Expenditure components								
17. Compensation of employees + intermediate consumption	D.1 + P.2	134.6	14.3	14.3	14.2	14.1	14.0	14.1
17 a. Compensation of employees	D.1	77.6	8.2	8.0	8.2	8.3	8.3	8.4
17b. Intermediate consumption	P.2	57.0	6.0	6.2	6.0	5.8	5.7	5.6
18. Social payments		198.2	21.0	21.4	21.7	22.1	22.6	23.0
of which Unemployment benefits		9.8	1.0	1.1	1.2	1.2	1.2	1.2
18 a. Social benefits in kind through market output	D.6311, D.63121, D.63131	100.6	10.7	10.8	11.2	11.6	11.9	12.1
18b. Social benefits not in kind	D.62	97.6	10.3	10.6	10.5	10.5	10.7	10.9
19. Interest expenditure (=9)	EDP D.41	4.5	0.5	0.6	0.7	0.7	0.8	0.9
20. Subsidies	D.3	20.2	2.1	2.6	2.0	1.9	2.0	1.9
21. Gross fixed capital formation	P.51	31.5	3.3	3.4	3.5	3.6	3.7	3.6
22. Capital transfers	D.9	11.4	1.2	1.0	0.7	0.7	0.5	0.4
23. Other		16.4	1.7	1.8	1.8	1.8	1.7	1.7
24. Total expenditure (=7)	TE	416.8	44.2	45.1	44.5	45.0	45.3	45.7
25: Public consumption (nominal)	P.3	238.0	25.2	25.4	25.8	26.1	26.4	26.7

Table 2b: breakdown of revenue

In % of GDP **ESA Code**	**2022** *Level*	**2022** *% of GDP*	**2023**	**2024**	**2025**	**2026**	**2027**
1. Total revenue at unchanged policy	410.072	43.474	42.014	41.859	42.419	42.516	42.499
2. Total expenditure at unchanged policy	416.756	44.183	45.063	44.460	45.044	45.279	45.658

Tables 2c: amounts to be excluded from the expenditure benchmark

In % of GDP	**ESA Code**	**2022** *Level*	**2022** *% of GDP*	**2023**	**2024**	**2025**	**2026**	**2027**
1. Expenditure in EU programmes fully matched by revenue in EU funds*	S.13	0.16	0.16	0.21	0.33	0.15	0.10	0.12
1.a Of which investment expenditure fully matched by revenue in EU funds*	S.1311	0.02	0.02	0.04	0.04	0.04	0.00	0.00
2. Cyclical unemployment benefit expenditure								

3. Effect of discretionary revenue measures	1.467	0.17	0.34	1.09	-0.43	0.14	0.06
4. Revenue increases mandated by law	-0.299	-0.03	0.08	-0.16	0.22	-0.03	0.07

**Here expenditure incurred by the Ministry of Economic Affairs and Climate is still missing.*

Table 3: general government expenditure by function (based on unchanged policy)

In % of GDP	COFOG Code	2022 *% of GDP*	2023	2024	2025	2026	2027
1. General public services	1	8.653	8.623	8.285	8.227	8.054	7.977
2. Defence	2	1.201	1.196	1.362	1.508	1.610	1.655
3. Public order and safety	3	1.629	1.623	1.636	1.659	1.652	1.663
4. Economic affairs	4	3.232	3.292	2.382	2.380	2.269	2.170
5. Environmental protection	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6. Housing and community amenities	6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
7. Healthcare	7	9.640	9.729	10.084	10.288	10.512	10.692
8. Recreation, culture and religion	8	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
9. Education	9	5.155	5.255	5.452	5.408	5.394	5.381
10. Social security	10	11.517	11.772	11.591	11.781	12.032	12.233
11. Total expenditure	TE	44.183	45.063	44.460	45.044	45.279	45.658
PM Infrastructure		1.098	1.111	1.117	1.131	1.142	1.179
PM International cooperation		1.940	2.007	1.836	1.858	1.836	1.829
PM Interest		0.472	0.620	0.660	0.738	0.828	0.928

Table 4: general government debt developments

In % of GDP	ESA Code	2022 *Level*	2022 *% of GDP*	2023	2024	2025	2026	2027
1. Gross debt		465.221	49.321	48.401	48.734	49.786	51.005	52.653
2. Change in gross debt ratio		16.195	-3.114	-0.920	0.333	1.052	1.219	1.649
of which:								
3. Primary balance		-2.231	-0.237	-2.429	-1.942	-1.888	-1.934	-2.230
4. Interest charges	EDP D.41	4.452	0.472	0.620	0.660	0.738	0.828	0.928
5. Stock/flow adjustment and other			1.008	-0.357	-0.210	0.286	0.285	0.268
of which:								
Privatisation proceeds		-52.563	-0.056	-0.047	-0.045	-0.043	-0.028	0.000
Valuation effects and other			1.064	-0.310	-0.165	0.330	0.313	0.268
PM: Implicit interest on debt			0.991	1.357	1.423	1.574	1.727	1.886
6. Liquid financial assets		-12.280	-1.302	-1.281	-1.264	-1.250	-1.236	-1.223
7. Net debt		477.501	50.623	49.682	49.998	51.036	52.241	53.876
8. Debt write-off (existing debt) since end of previous year (billion euro)		30.800	3.265	3.297	3.375	2.025	2.748	3.107
9. Debt denominated in foreign currency (million euro)		21.596	2.289	16.277	13.377	10.585	7.853	4.979
10. Average maturity (in years)		9 yrs	9.3 yrs					

Table 5: cyclical developments

In % of GDP	ESA code	2022 Level	2022 % of GDP	2023	2024	2025	2026	2027
1. Real GDP growth		943.3	4.5	1.6	1.4	1.1	1.1	1.1
2. General government balance entire government	EDP B.9	-6.7	-0.7	-3.0	-2.6	-2.6	-2.8	-3.2
3. Interest charges	EDP D.41	4.5	0.5	0.6	0.7	0.7	0.8	0.9
4. One-off and other temporary expenditures		1.8	0.2	0.1	0.0	0.0	0.0	0.0
4 a. Of which: on the revenue side								
4b. Of which: on the expenditure side								
5. Potential GDP growth			1.9	2.0	1.9	1.6	1.4	1.3
Contributions to growth:								
Labour			1.1	1.2	1.1	0.7	0.4	0.2
Capital			0.5	0.5	0.5	0.5	0.5	0.5
Total factor productivity			0.2	0.3	0.3	0.4	0.5	0.5
6. Output gap			1.4	1.1	0.6	0.2	-0.1	-0.4
7. Cyclical budgetary component			0.8	0.6	0.4	0.1	-0.1	-0.2
8. Cyclically-adjusted balance (2 - 7)			-1.5	-3.6	-3.0	-2.7	-2.7	-3.0
9. Cyclically-adjusted primary balance (8 + 3)			-1.0	-3.0	-2.3	-2.0	-1.9	-2.1
10. Structural balance (8 - 4)			-1.7	-3.7	-3.0	-2.7	-2.7	-3.0

Table 6: divergence from 2022 Stability Programme

In % of GDP	ESA Code	2022	2023	2024	2025	2026	2027
Real GDP growth							
Update April '22		3.6	1.7	2.0	1.7	1.4	
Current update		4.5	1.6	1.4	1.1	1.1	1.1
Difference		0.9	-0.1	-0.6	-0.6	-0.3	
General government balance	EDP B.9						
Update April '22		-3	-2.8	-3	-3.2	-3.2	
Current update		0.0*	-3.0	-2.6	-2.6	-2.8	-3.2
Difference		3.0	-0.2	0.4	0.6	0.4	
General government debt							
Update April '22		53.8	53.1	52.7	53.1	54.4	
Current update		51.0*	48.4	48.7	49.8	51.0	52.7
Difference		-2.8	-4.7	-4.0	-3.3	-3.4	

*Outcome based on figures by Statistics Netherlands. The April 2022 update is based on data from the 2022 Stability Programme.

Table 7a: sustainability of public finances

No new analysis by CPB .

Table 7b: contingent liabilities

In % of GDP	2021	2022
Public guarantees	24.6	23.4
Of which: related to the financial sector	19.5	19.2

Table 8: external assumptions

In %	2022	2023	2024	2025	2026	2027
Short-term interest rate (annual average)	0.3	3.2	2.9	2.4	2.3	2.4
Long-term interest rate (annual average)	1.4	2.3	2.3	2.2	2.3	2.3
USD/€ exchange rate (annual average)	1.1	1.1	1.1	1.1	1.1	1.1
Nominal effective exchange rate*	-2.3	1.6	0.5	0.6	0.8	0.8
GDP growth, World excluding EU	3.6	3.2	3.6	3.5	3.3	3.4
GDP growth, EU	3.5	0.8	1.5	1.4	1.2	1.1
Growth of relevant foreign markets	6.9	2.2	2.9	2.9	2.8	2.6
World import volume (excluding EU)	5.4	2.6	3.4	3.3	2.8	2.8
Oil price (Brent, USD per barrel)	100.8	84.3	79.7	75.3	72.0	69.4

* percentage changes in respect of a basket of trading partners

Table 9a: impact of Recovery and Resilience Facility (RRF) subsidies

	ESA code	2023	2024	2025	2026
1. RRF subsidies as included in projections		0.145%	0.125%	0.118%	0.089%
2. Cash receipts from RRF subsidies from EU		0.145%	0.125%	0.118%	0.089%
Expenditure financed by RRF subsidies					
3. Total current expenditures		0..102%	0.087%	0.083%	0.062%
Of which:					
Compensation of employees	D.1	0.015%	0.012%	0.012%	0.009%
Intermediate consumption	P.2	0.000%	0.000%	0.000%	0.000%
Social payments	D.62+D.632	0.000%	0.000%	0.000%	0.000%
Interest expenditure	D.41	0.000%	0.000%	0.000%	0.000%
Accrued subsidies	D.3	0.073%	0.062%	0.059%	0.045%
Current benefits	D.7	0.015%	0.012%	0.012%	0.009%
4. Total capital expenditure		0.044%	0.037%	0.036%	0.027%
Of which		N.A.	N.A.	N.A.	N.A.
Gross fixed capital formation	P.51g	N.A.	N.A.	N.A.	N.A.
Capital transfers	D.9	N.A.	N.A.	N.A.	N.A.
Other costs financed by RRF subsidies					
5. Reduction of tax revenues					
6. Other costs with an impact on revenues		N.A.	N.A.	N.A.	N.A.
7. Financial transactions		N.A.	N.A.	N.A.	N.A.
1. RRP subsidies as included in projections					

Table 9b: impact of Recovery and Resilience Facility (RRF) loans

The Netherlands does not have any loans as part of the RRF.