Stability Programme of the Netherlands

April 2012 Update

Status of the April 2012 Stability Programme

This Stability Programme is based on the Coalition Agreement (September 2010), the 2012 Budget Memorandum (Miljoenennota 2012) and the most recent short-term outlook provided by the CPB Netherlands Bureau for Economic Policy Analysis (CPB) on 20 March 2012. On request by Parliament, there have been intensive and constructive negotiations which have led to an agreement about additional measures to comply with the the recommendations of the Excessive Deficit Procedure. These additional measures are included in chapter 1 and 2.[1]

The 2011 Commission and Council Opinion on the 2011 update of the Dutch Stability Programme was discussed with Parliament on 14 and 22 June 2011. The policy response of the Dutch government to this Council Opinion has been reflected in the 2012 budget (Miljoenennota 2012) and in the relevant ministerial budgets, in line with the requirements of the Code of Conduct of the Stability and Growth Pact and a request thereto from Dutch Parliament.[2]

The 2012 update of the Dutch Stability Programme was approved in approved by the Dutch Council of Ministers on April 23rd 2012 and discussed in Dutch Parliament on April 26th 2012. On April 27th, a final document (written in Dutch) was sent to both Parliament and the European Commission. This English version of the Stability Programme is a technical translation of the Dutch version. In case of any discrepancy between the English and the Dutch version, the Dutch version is leading. In case of new relevant developments, these will be communicated to the European Commission and other Member States as soon as possible.

[1] *Most of the (macro)economic data in this document are based on the CPB projections of 20 March 2012, which do not include the effects of the additional measures of the government. The public finance data in the chapters 1 and 2 do include (the effects of) the additional measures.*

[2] *Tweede Kamer, vergaderjaar 2010–2011, 21 501-20, nr. 537.*

Consistency with the National Reform Programme

To streamline the European semester process, the National Reform Programme and the Stability Programme were submitted to the European Commission simultaneously. With respect to the content some overlap between the two documents exists, for example regarding the macroeconomic outlook. The Stability Programme focuses on macroeconomic developments, budgetary developments and budgetary policies, whereas the National Reform Programme considers policy measures related to the priorities of the Europe 2020 strategy. Where appropriate, the two documents include cross-references.

Contents

Chapter 1 Implementation of the Excessive Deficit Procedure recommendations to the Netherlands

At the start of Coalition Agreement, the Netherlands was foreseen to reduce the deficit to below 3% of GDP in 2012 . However, economic circumstances have significantly worsened since then. As a result of lower revenues, the budgetary position of the Netherlands is projected to be worse than was anticipated in the Coalition Agreement and worse than anticipated in last year's Stability Programme.

The government is fully committed to complying with the recommendations of the Excessive Deficit Procedure and will seek a parliamentary majority for additional consolidation measures in order to reduce the budget deficit of the Netherlands to a maximum of 3% of GDP in 2013. These additional measures will foster economic growth and improve the functioning of both the housing and the labour market. The measures will also contribute significantly to tackling problems related to the environment and energy, whilst promoting economic growth.

This chapter provides a broad overview of the worsening economic and budgetary outlook, and presents the progress made with respect to the recommendations of the Excessive Deficit Procedure.

Developments of the budgetary position 2011-2015

Compared to the 2011 Stability Programme update, the growth outlook for the Netherlands has significantly worsened (see figure 1.1). Due to uncertainties about the sovereign debt crisis and the cooling of world trade, the Dutch economy slipped back into recession in the second half of 2011 (the economic outlook will be described in more detail in chapter 3).

Figure 1.1 Worsening growth performance and outlook (% of GDP)

The lower than expected growth rate has an impact on the government balance. The budget deficit in 2011 turned out worse than expected in last year's Stability Programme update, namely 4.7 percent instead of 3.7 percent.

As in the previous downturn, the Dutch budgetary position proves to be very sensitive to cyclical developments. The automatic stabilisers on the revenue side of the Dutch budget have led to a worse than expected realization for 2011, also leading to a worse budgetary outlook for 2012-2015. Declining private consumption, partly as a result of housing market developments, and lower profits have resulted in much lower tax revenues than was anticipated. The projected deterioration of the budgetary position in 2012-2015 can almost fully be attributed to lower than anticipated revenues. More details can be found in chapter 5.

The Excessive Deficit Procedure

The government is fully committed to comply with the recommendations of the Excessive Deficit Procedure. The government therefore will seek Parliamentary support for a package of additional measures in order to reduce the budget deficit to a maximum of 3% in 2013. These measures will also contribute significantly to tackling problems related to the environment and energy, whilst promoting economic growth (see chapter 2).

Tabel 1.2 Require additional consolidation measures[3]

	2011	**2012**	**2013**
1. EMU-balance (CPB CEP, March 2012; % GDP)	**-5.0**	**-4.6**	**-4.6**
2. Effect of realization EMU-balance 2011 CBS	0.2	0.2	0.2
3. Ex post effect additional consolidation measures on budget balance (% GDP)		0.2	1.4
Resulting EMU-balance (ex post; =1+2+3)	**-4.7**	**-4.2**	**-3.0**

Based on a deficit of 3% in 2013, the structural balance is foreseen to improve from -3.9% of GDP in 2010 to -1.3% of GDP in 2013, i.e. an average annual structural improvement of 0.9% of GDP. The recommended structural improvement of the budget balance of ¾% of GDP over the period 2011-2013 will thus be achieved. The government intends to further improve the budgetary position towards the Medium-Term Objective (MTO) after 2013, improving the average annual structural deficit further by at least 0.5%, in line with the preventive arm of the Stability and Growth Pact.

[3] Unexplained differences are caused by rounding.

Table 1.3 Summary of the policy response to the recommendations of the Excessive Deficit Procedure

Reaction of the Netherlands to the 126(7)-recommendations	
Recommendation	Reaction
Put an end to the excessive deficit by 2013.	The government is committed to complying with this recommendation. To this end, the government will seek Parliamentary approval for the additional measures in order to reduce the budget deficit to a maximum of 3% in 2013.
Ensure an average annual fiscal effort of ¾% of GDP over the period 2011-2013.	The structural deficit is expected to improve from 3.9% of GDP in 2010 to 1.3% of GDP in 2013, i.e. an average annual improvement of 0.9% of GDP.
Halt the rapid rise of the government gross debt ratio.	The additional measures will contribute to stabilizing public debt.
Specify the measures that are necessary to achieve the correction of the excessive deficit by 2013.	The additional consolidation measures will foster economic growth and improve the functioning of the housing and the labour market. These measures will also contribute significantly to tackling problems related to the environment and energy, whilst promoting economic growth.

Chapter 2 Overall policy framework and objectives

The current economic situation poses great challenges for all Member States. At the EU-level, restoring euro zone stability remains the number one priority. At the national level, the key policy challenge will be to remain competitive in an ever-changing world, to reduce private and public debt levels and to prepare for the age-related spending pressures of health care and pensions. The government addresses these challenges by taking a two-pronged approach: 1) ensuring sound and long-term sustainable public finances and 2) implementing measures to strengthen economic growth. This chapter presents an overview of the progress that has been made so far with regards to the Coalition Agreement, and moreover presents additional deficit reducing and structural reform measures for which the government will seek Parliamentary support.

Introduction

The main focus of the government is to consolidate government finances, whilst at the same time investing in the future in order to emerge stronger from the economic crisis. In addition to budgetary measures the Netherlands is therefore also taking growth-enhancing measures and structural reforms. More details on the structural reforms that the Netherlands is planning to take in response to the recommendations in the context of the Europe 2020-strategy and the Euro Plus Pact can be found in the National Reform Programme.

Progress on Coalition Agreement deficit-reducing measures

As in the majority of the rest of the world, the crisis of 2008 has had a substantial impact on the budgetary position of the Netherlands. The Dutch government successfully intervened to stabilize the financial sector and to limit the negative effects of the financial crisis on the real economy by, amongst other things, providing capital injections. Additionally, the government implemented stimulus measures and allowed automatic stabilizers to operate freely, in line with the European Economic Recovery Plan. As a consequence, the budget surplus of 0.5 percent in 2008 turned into a budget deficit of 5.6 percent in 2009.

Since 2009, a return to sound public finances has been a key priority for the government. The Coalition Agreement of 2010 contains a multi-annual package with deficit-reducing measures, to ensure a total reduction of the budget deficit of €18 billion by 2015.

Additional measures (April 2012)

The Dutch government is fully committed to the recommendations of the Excessive Deficit Procedure. Therefore, the government will work on gathering the necessary support in Parliament for additional measures that bring the EMU-deficit to at least the reference value of 3% in 2013. These additional measures will foster economic growth and improve the functioning of the labor market and the housing market. The measures also contribute to tackling climate and energy problems, whilst fostering growth.

Pension

- As part of the structural package, and in line with the commitments of the Euro Plus Pact, the retirement age will be raised and linked to life-expectancy. As a first step, the eligibility age for receiving a public pension (AOW) will be raised with one month in 2013. In the years following 2013, the steps will be gradually increased, in order to reach an eligibility age of 66 in 2019 and 67 in 2024 at the latest. A transitional arrangement could ease the consequences for people with little possibilities to compensate financial losses. The retirement age will be raised and linked to life expectancy thereafter.
- The current reform reduces the tax advantages for building up private pensions (Witteveenkader), in two ways. In 2014 the eligibility age for private pensions will be increased from 65 to 67. Further, the fiscal maximal yearly accrual rate for pension savings (and thus tax advantages) will be reduced. Both measures only affect new pension savings. In total, average savings from the reduction in tax advantages for building up private pensions are estimated at 700 mln euro a year, or 0.1% of GDP.
- Both the additional tax credit for older workers (werkbonus) as well as the employers premium credit for having older employees will be abolished from 2013 onwards. From 2013 onwards there also will be no further increase in the government budget for employers premium credits to stimulate labour market mobility (total savings: 800 million euro in 2013).

Labour market

- Employers will pay unemployment benefits for the first six months and invest in schooling programs and job-to-job assistance. In return, steps are taken for a more flexible labor market, by simplifying dismissal procedures and lowering costs of dismissal. Dismissal procedures will in this way thus be more actively centered towards schooling and job-to-job assistance. The length and duration of employment benefits (*WW-uitkering*) will remain unaltered.
- Because these reforms take effect as of 2014, unemployment premiums for employers will be temporarily raised in 2013. This leads to 500 million euro of extra revenues in 2013.

Housing market

- A number of important structural reform measures with regard to the housing market will be taken. It is essential to reduce private housing market (mortgage) related debts, both from a micro and a macro perspective, whilst simultaneously promoting confidence on the housing market. Regarding the latter, the government therefore intends to maintain mortgage interest deductibility. As of January 2013, new mortgages need to be paid off in full (and at least as annuity) over the course of the loan agreement of 30 years in order to continue to obtain access to the mortgage interest deduction facility (leading to structural savings of 5.4 billion euro). Another measure to reduce the indebtedness of households is the gradual lowering of the maximum Loan-to-Value ratio to 100%.
- To facilitate circulation on the housing market, the transaction tax will be permanently lowered (from 6%) to 2%. This measure contributes to long-term confidence and lower financial risks on the housing market. The measure will be financed by abolishing the tax exemption for work-related travel allowances, including the tax exemption for private travel in company cars. This

will stimulate people to live closer to their work, and thus alleviate environmental and congestion pressures.

- Rents for tenants with an annual income between 33.000 and 43.000 euro can be increased yearly by inflation +1% (the additional revenue for property owners will be subject to a rental tax as of 2013).

Health care

- With regards to health care, measures are taken to limit the rise in long term care expenditure, private copayments will be raised (with compensation for lower income groups by means of health care subsidies) and stringent arrangements will be made with health care institutions. Together, these measures yield 1.6 billion euro.
- Research will be conducted on how to bring the norm income of medical specialists more in line with their international peers.

Wage freeze

- All wages in the public sector (excluding health care) will be frozen for two years. This leads to savings of 900 million euro in 2012, increasing to 1.7 billion euro in 2013 and onwards.
- In consultation with the education sector, an extra 75 million euro will be spend on strengthening the quality of teachers and school leaders.
- Wage moderation in the market sector will be promoted, inter alia by freezing the indexation of the income tax brackets for one year, so that any wage increases will be taxed at a higher marginal rate.
- The maximum duration of redundancy schemes for politicians will be capped to the maximum duration for regular unemployment benefits, as of September 2012.
- Higher incomes also need to contribute to solving the current budgetary problems. Higher incomes (including bonuses) will face a temporarily higher tax rate in 2013 through an employers levy (a "one-off crisis levy", revenue: 500 million euro). In addition, the levy for employers on golden handshakes is raised from 30 to 75%.

Green economy

- The general VAT-rate will be increased by 2 percentage points as of October 2012. This will generate 4.1 billion of extra tax revenues in 2013. The VAT-rise will be increasingly compensated through lower income taxes as of 2013, in particular for the employed with a low income. The combination of these measures should lead to significant budgetary savings in the short run, whilst also contributing to the robustness of the tax system and improving the functioning of the labour market in the medium term.
- A package of green fiscal measures will be introduced, amongst others to limit the use of fossil fuels through higher taxation of energy products. Measures include taxes on coal and gas, the abolishment of tax advantages concerning diesel for specific industrial and commercial use ('red diesel') and road use charges for heavy goods vehicles ("Eurovignette"). Total revenue is 890 million euro. Excise duties on tobacco, alcohol and soda are increased (625 million euro).

- 200 million euro will be used to stimulate the greening of the economy, inter alia for sustainable construction and residential home insulation. Research will be conducted on applying the lower VAT-rate to solar panels.

<u>Business</u>

- A number of reservations for lower corporate taxes will be withheld (430 million euro). The tax treatment of the acquisition of Dutch subsidiaries with debt will be adjusted to limit interest deductability ("deelnemingsrente"; 150 million euro).
- The bank levy will be doubled, from 300 million euro in revenue to 600 million. The taxable base is the total amount of the unsecured debts of the bank. Doing so, the government aims to reduce risks and strengthen financial stability.

<u>Treasury Banking</u>

- Local governments will be obliged to hold their deposits at the Dutch State Treasury Agency as of 2013 and will not be allowed to borrow from the Ministry of Finance (Treasury Banking). This will reduce the debt level of the Netherlands. The interest rate that local governments will receive will be equal to the interest rate that the Netherlands pays on its government bonds and bills for the corresponding maturity.

<u>Other measures</u>

- Efficiency gains will be realized in health care and education by reducing the administrative burden.
- An across the board expenditure cut at the central government departments will be implemented (875 million structural).
- A number of measures (totaling 1 billion euro) of the 18 billion euro savings package as agreed in the Coalition Agreement will not be implemented. This includes in particular savings related to special education (100 million), court fees (240 million), nature (200 million), personal health care budgets ("PGB"; 150 million), public transport (100 million), copayments in mental healthcare ("GGZ"; 40 million), household income tests (54 million), preventive health care (100 million) and the VAT for performing arts (48 million). The Netherlands will uphold the norm for Official Development Aid (0.7% GDP).

The budgetary framework of the government

As far as the budgetary framework is concerned, the government has adhered to the budgetary framework that has served previous governments well, but has tightened some rules (as described in the 2011 Stability Programme). As agreed in the new treaty for stability, coordination and governance in the EMU, euro area member states will translate the EU fiscal rules as set out in the Stability and Growth Pact into national legislation. More details on this draft legislation and the Dutch budgetary framework can be found in Chapter 8. More information on Dutch measures under the Euro Plus Pact can be found in the National Reform Programme.

Chapter 3 Economic outlook

The most recent forecast by the independent Netherlands Bureau for Economic Policy Analysis (CPB) shows that the economic outlook for the Netherlands has significantly deteriorated. Economic growth is expected to be –¾% in 2012, 1¼% in 2013 and 1½% in both 2014 and 2015. With these growth rates, GDP is expected to be back to its pre-crisis level in 2014; a net loss of growth of 6 years. The moderate growth prospects are mainly attributable to declining private consumption. The increase in world trade and subsequent improving export performance are expected to be the main drivers of growth in 2013-2015. Nevertheless, the outlook is uncertain and downside risks remain elevated.

Introduction

This chapter provides an overview of the underlying macroeconomic assumptions used in this update of the Stability Programme. The emphasis of this chapter lies on the short to medium-term outlook, i.e. the period 2012-2015. The medium-term outlook is described in greater detail in the National Reform Programme. The baseline scenario for the economic outlook presented in this chapter is based on the most recent outlook (2011-2015) provided by the CPB Netherlands Bureau for Economic Policy Analysis on 20 March 2012.

The Dutch economy slipped into a recession in the second half of 2011. Consequently, unemployment rates have gone up and are expected to increase further in 2012 and 2013. A slow recovery is expected to start in 2012, but downside risks have emanated and global growth prospects have dimmed. In the fourth quarter of 2011, the euro area crisis worsened, which resonated with financial fragilities elsewhere. Market confidence is likely to remain fragile and the debt crisis continues to constitute the biggest risk going forward. Other developments, such as political tensions in the Middle East and their effect on the oil price, also remain worrying.

International developments and technical assumptions

The world economy is projected to grow the coming years at a rate between 3% and 4%. Emerging economies will grow with an expected rate of 5.4% in 2012. The US and the Eurozone are lagging behind, with growth rates of 1.8% and -0.5% respectively. The euro area performance is particularly worrying. The negative growth rates and lower potential growth due to ageing make it impossible to grow out of the current debt crisis. In advanced economies, average debt levels have reached unprecedented peaks while the bulk of age-related additional spending is still to come. The key policy challenge will be to structurally improve public finances while simultaneously harnessing growth, containing deleveraging, and restoring confidence (as is also specified in the Annual Growth Survey).

Other risks also remain. Growth in emerging and developing economies is expected to slow down because of the worsening external environment and a weakening of internal demand. Even though Chinese growth remains relatively high it is expected to decrease to 7,5% in 2012, coming from double digits in 2010. In addition, political developments in the Middle East and Iran have pushed the oil price to $124 in February. As long as these developments continue, the oil price may remain high. Table 3.1 displays the external assumptions underlying the Dutch baseline scenario.

Table 3.1 External assumptions

	2011	2012	2013	2014	2015
Short-term interest rate (annual average)	1.4	0.9	0.8	1.2	1.7
Long-term interest rate (annual average)	2.9	2.3	2.7	3.0	3.3
USD/€ exchange rate (annual average)	1.39	1.29	1.29	1.29	1.29
Nominal effective exchange rate	0.7	-2.6	0.1	0.1	0.1
World GDP growth	3.5	2 ¾	3 ¾	4 ½	4 ½
EU GDP growth	1.5	- ½	1	1 ½	1 ½
World GDP growth excluding EU	4.2	4.1	4.3	4.2	4.2
Growth of relevant foreign markets	4.0	-1 ¾	4 ½	6	6
World import volumes, excluding EU	7.4	6.2	6.8	6.8	6.8
Oil prices (Brent, USD per barrel)	111.34	111	111	111	111

Cyclical developments and prospects according to the baseline

The Dutch economy is expected to contract by ¾% in 2012. This is mainly due to low domestic demand and the fact that the relevant world trade decreases by 1¾%. GDP realization figures show that the Dutch economy has moved from recovery to a recession for the second time since 2008. In the course of 2012, the economy is expected to turn positive. With economic growth rates at around 1½% per year from 2013 onwards, the recovery is expected to be moderate. This is in line with international studies that indicate recovery takes longer and is more modest after a financial crisis.[4] GDP is expected to be back to its pre-crisis level in 2014; a net loss of growth of 6 years.

[4] See, for instance, Reinhart, C. M. and Rogoff, K. (2009), "The Aftermath of Financial Crises," *American Economic Review* 99: 466-472.

Table 3.2 Contributions to real GDP growth, 2010-2015[5]

	2010 share in %	2011	2012	2013-2015
Private consumption	33	-0.3	-¼	0
Residential investment	4	0.2	-¼	0
Gross fixed capital fomation	5	0.3	-¼	¼
Government spending	28	0.2	-¼	0
Exports	30	0.9	0	1¼
Total (real GDP growth)		1.2	-¾	1½

As can be seen from table 3.2 above, exports (corrected for imported components) account for roughly one third of GDP and are expected to provide the largest contribution to GDP growth in the period 2011-2015. Therefore, global economic developments continue to be of great importance for the Dutch economy. As can be seen in table 3.1, relevant world trade is expected to decrease in 2012, negatively affecting Dutch GDP. In 2013 the relevant world trade grows again, albeit at a relatively moderate pace.

In a long-term perspective, the growth contribution of domestic demand categories is projected to be remarkably low for the coming period. During the late 1990s, private consumption contributed more than 1%-point to GDP growth each year. This was partly due to a substantial increase in house prices and an increase in real household income. After the year 2000, the effect of private consumption on GDP growth diminished and its contribution to growth was zero in 2006. The growth contribution of investments has also declined significantly in this period. This can partly be explained by the fact the Dutch private sector started to deleverage its balance sheet position (box 3.1). Government expenditure was the only domestic demand category that had a positive impact on growth from 2006-2010. This positive contribution came at a cost: the budget balance worsened from –0.3% in 2005 to -5.1% in 2010.

For the coming period, the government needs to bring its finances back in order. Furthermore, subdued wealth and income developments are expected to temper private consumption. Additionally, households are expected to repair some of their wealth losses; the savings rate is projected to increase in the medium term (see box 3.1). Therefore, the growth contribution of government expenditure and private consumption is forecasted to be negative in 2012 and neutral in 2013-2015. After a decline of almost 1% in 2011, consumption is projected to decrease with another ½% in 2012. For 2013-2015, the CPB forecast shows moderate annual growth of ½%. Investments are projected to decline with 3¼% in 2012. Due to the expected pickup in world trade in 2013, investments are expected to recover with around 3½% growth for 2013-2015. As a result, investments contribute ¼% to growth for this period. However, as stated above, growth is expected to originate predominantly from trade; more than three quarters of GDP-growth in the period 2011-2015 (averaging almost 1%-point annually) can be attributed to exports.

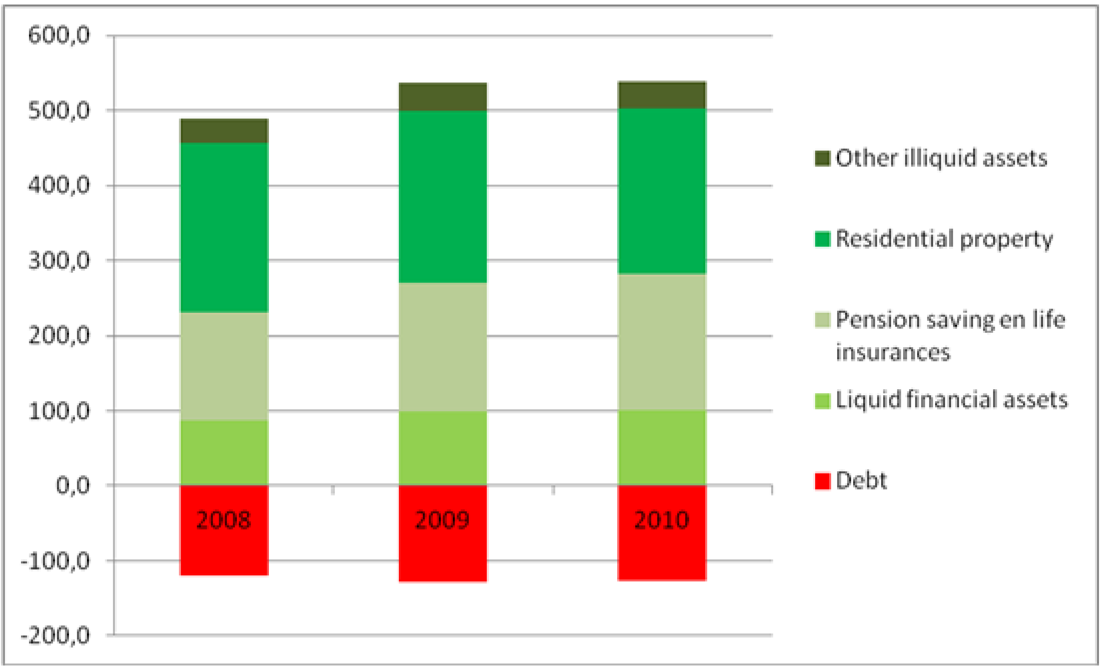
[5] Due to rounding the total may differ from the sum

Box 3.1 Deleveraging in the Netherlands

In 2010 the private sector debt (households and non-financial corporations) decreased by 2.7 percentage points, from 226.1% of GDP to 223.4%. Non-financial corporations decreased their debt by roughly two percentage points, while household debt decreased by 0.6 percentage points. This is remarkable, because household debt has increased for over two decades. The CPB Netherlands Bureau for Economic Policy Analysis expects that households will continue to deleverage in the coming years. The individual saving rate of households is expected to turn positive in 2013, for the first time since 2001. For non-financial corporations the picture is slightly different. Their debt has been decreasing and stayed below 100% of GDP in the past 5 years. Consequently non-financial corporations still have the ability to invest, which contributes a moderate quarter percent to growth over the period 2013-2015.

Even though the Dutch private sector debt is relatively high compared to international standards, the solvability of both households and non-financial corporations is robust. The solvability of non-financial corporations moved to 48,6% in 2010, the highest rate since 1973. In addition, the figure below shows the debt position of Dutch households together with assets of these households (all as a percentage of GDP). With assets roughly four times as big as the total amount of household debt, Dutch household are remarkably solvent.

Household wealth (%GDP)



Source: CPB, CEP 2012, Table 5. Consumptie, inkomen en vermogen van huishoudens, 1970-2013

Table 3.3 Macroeconomic prospects

	ESA Code	2011 Level (bln €)	2011 rate of change	2012 rate of change	2013 rate of change	2014 rate of change	2015 rate of change
Real GDP	B1*g	603.6	1.2	- ¾	1 ¼	1 ½	1 ½
Nominal GDP (€ bln)	B1*g		2.6	1	3	3 ¼	3 ¼
Components of real GDP							
Private consumption expenditure	P.3	270.5	-0.9	-½	½	½	¼
Government consumption expenditure	P.3	170.5	0.2	- ¾	¼	0	¼
Gross fixed capital formation	P.51	112.2	5.7	-3¼	3 ¾	3¾	3 ¼
Changes in inventories (Δ)	P.52+P.53	2.2	0.0	- ¼	0	0	0
Exports of goods and services	P.6	499.0	3.8	- ¾	3	5	5 ¼
Imports of goods and services	P.7	450.7	3.6	-1½	2¾	4¾	5
Contributions to real GDP growth							
Final domestic demand		555.4	0.7	-1	1	1	¾
Changes in inventories (Δ)	P.52+P.53	2.2	0.0	- ¼	0	0	0
External balance of goods and services	B.11	48.3	0.5	½	½	¾	¾

Medium-term scenario

Potential growth for the period 2011-2015 is expected to be 1½% per year. Projected actual growth is the sum of the potential growth, the cyclical recovery and the short-term effects of government cutbacks. Actual growth is projected to be 1% on average over the period 2011-2015, while in the previous forecast an average growth 1¼% was expected. For more details on the medium-term outlook, see chapter 3 of the National Reform Programme.

Sectoral balances

Growth of Dutch domestically produced exported goods (excluding energy) is expected to decrease in 2012 (see table 3.5). This is mainly the result of a decrease in relevant world trade (see table 3.1). The growth of exports in 2013 also remains moderate.

Table 3.4 Dutch export performance

	2011	2012	2013
Domestically produced exports of goods (excluding energy)	1.8	-½	3½
Price of dutch exports	1.7	½	¼
Unit labour costs relative to competitors (manufacturing industry)	-2.9	-½	-½

Exports of domestically produced goods grow with 2.6% on average in the period 2011-2015. This is slightly higher than in the previous ten years. Main reasons are the slight depreciation of the euro and some slack in the labour market, causing unit labour costs to develop favourably the coming years. Improved competitiveness compensates partly for the lower growth of world trade.

Labour market

The contraction of the economy that started in the second half of 2011 is expected to lead to an increase in unemployment from 4,5% in 2011 to 6% in 2013. This is largely due to an increase in the supply of labor. Many people that did not enter the job market during the economic crisis (the discouraged worker effect) are currently entering the labor market. In addition, income insecurity may have caused more persons per household to look for work (the added worker effect). Lastly, labor participation of older men has increased notably. Concerns about retirement income may have played a role in this regard. Employment is foreseen to remain relatively constant until 2015. This is a consequence of the unexpected contraction of the Dutch economy in 2012: in last year's projection employment was expected to grow by ¾% in 2011 and 2012. When growth stabilizes at a moderate 1½ percent in 2015, the unemployment level is expected to decrease to 5½ percent.

Table 3.5 Labour market developments

	ESA Code	2011	2011	2012	2013	2014	2015
		level	rate of change	rate of change	rate of change	rate of change	rate of change
1. Employment (x thousand persons)		8671.5	0.3	- ¼	-0	¼	¾
2. Employment (bln hours worked)			0.1	- ½	- ¼	0	¾
3. Unemployment rate (% of labour force)		389.2	4.5	5 ½	6	6	5 ½
4. Labour productivity (per worker)			0.9	- ½	1¼	1¼	¾
5. Labour productivity, hours worked			1.0	- ¼	1¾	1½	1
6. Compensation of employees	D.1	307.0	2.2	2 ½	1¼	2¾	3 ½
7. Compensation per employee		35.401	2.0	3	1½	2½	2 ¾

Chapter 4 General government balance and debt

As of the start of the Dutch excessive deficit procedure in December 2009, the Dutch government has taken many consolidation measures to correct the excessive deficit. However, since macro-economic developments have worsened and structural set-backs on the revenue side have occurred, the budgetary situation has worsened. This chapter elaborates on the differences between this year's Stability Programme and last year's Stability Programme update with regard to the projected fiscal developments. Both the developments in the structural and the nominal deficit including the consequences for the government balance and debt will be described. The data in this chapter are based on the latest economic outlook of the CPB Netherlands Bureau for Policy Analysis (CEP, March 2012) and the budgetary outcomes for 2011 as have been notified to Eurostat, and are therefore different from the data in chapter 1 and 2.

Introduction

This chapter gives an overview of the budget balance and government debt over the period 2011-2015. The first paragraph describes the policy strategy of the government. After that, the chapter focuses on the budget balance and debt in the medium and longer term. These paragraphs also address the Medium-Term Objective of the Netherlands.

The data in this chapter are based on the latest economic outlook of the CPB Netherlands Bureau for Policy Analysis and the budgetary outcomes for 2011 as have been notified to Eurostat.

Table 4.1 shows the consolidation path of the Coalition Agreement in 2010. However, economic developments have been less favourable for two consecutive years. Although the government has cut back expenditures as planned, cyclical economic developments have led to much lower revenues. The projected deterioration of the budget balance is almost fully attributable to lower than expected revenues. More information on the exact nature of the deterioration of the budgetary outlook compared to the 2011 update of the Stability Programme can be found in chapter 5.

Table 4.1 Government balance and debt (% of GDP)

	2011	2012	2013	2014	2015
Government balance					
Coalition agreement (10/2010)	-4.0	-2.7	-1.8	-1.4	-0.9
Budget Memorandum 2012 (09/2011)	-4.2	-2.9	-2.5	-2.4	-1.8
CPB CEP (03/2012) including notification for 2011	-4.7	-4.4	-4.4	-3.9	-3.1
Government debt					
Coalition agreement (10/2010)	61.1	67.1	66.9	66.0	64.8
Budget Memorandum 2012 (09/2011)	64.7	65.3	66.1	66.4	66.2
CPB CEP (03/2012)	65.6	70.2	73.0	75.0	76.0

Tabel 4.2 Medium-term objective (based on CEP)

Structural balance	2011	2012	2013	2014	2015
Coalition agreement	-4.2	-2.9	-1.8	-1.3	-1.1
Structural balance CEP	-3.8	-2.7	-3.0	-2.8	-2.3
Difference	0.4	0.2	-1.2	-1.5	-1.2

In addition to a reduction in the nominal in the short term, the Netherlands also aims for a smaller structural deficit in the medium term. In 2014 and 2015 the aim is to reduce the structural deficit with on average 0.5% each year.

Table 4.2 shows that the projected structural balance in 2011 and 2012 is slightly better than projected in last year's Stability Programme update. This is the case because the economic situation has worsened, which has led to an increase in the output gap and a larger cyclical correction. This increase in the cyclical correction is larger than the increase in the nominal deficit.

For 2013- 2015, the projected structural balance is worse than projected in last year's Stability Programme update although the projected growth in GDP is more or less the same. That the structural balance has deteriorated, although the government has not changed its consolidation package, is because there have been set-backs on the revenue side that have a structural nature. These set-backs are larger than what would be expected on the basis of the economic situation.[6]

[6] See CEP 2012 (CPB), page 83-84 for more information on this.

General government debt

The government deficits will lead to an increasing debt level in the coming years. The guarantees to the EFSF and the capital payments for the ESM have also caused an increase in the debt level. The repayments of the interventions in the financial sector are having a decreasing effect on the debt level.

Table 4.3 General government debt (based on CEP)

% GDP	2011	2012	2013	2014	2015
1. Gross debt	65.2	70.2	73.0	75.0	76.0
2. Change in gross debt	2.3	5.0	2.8	2.0	1.0
Of which:					
3. Primary balance	3.0	2.5	2.4	1.9	1.0
4. Interest payments	2.0	2.0	2.1	2.2	2.3
5. Stock/flow-adjustments	-2.7	0.4	-1.7	-2.1	-2.3
Of which: denominator effect	-1.4	-0.8	-2.1	-1.8	-2.2

Chapter 5 Sensitivity analysis and comparison with previous update

Compared to the previous Stability Programme, economic growth in 2011 turned out lower than foreseen. For 2012, an even greater difference is expected. Due to the lower growth forecast, general government net lending and debt figures have been revised upwards (as shown in the previous chapter). This chapter first describes the main differences compared to the previous update of the Stability Programme. Second, this chapter analyses the impact of alternative scenarios for key macroeconomic variables. Given their relevance for the current situation (as described in chapter 3), a scenario with lower growth of world trade and a scenario with a steep decline in house prices are presented.

Comparison with previous update

After a relatively strong start in 2011, economic activity lost its momentum and slipped back into recession in the second half of the year. This was mainly due to the uncertainties about the sovereign debt crisis (which had a severe impact on consumer confidence and spending) and the cooling of world trade. As a consequence, the growth figure for 2011 turned out to be lower than was expected in the previous update, namely 1.2 percent instead of 1¾ percent. For 2012, the difference is even larger (-2¼%). For the years 2014 and 2015, growth is projected to be slightly higher than in the previous update, which reflects anticipated catch-up growth. Table 5.1 presents the differences with the previous Stability Programme.

Table 5.1 Divergence from previous update[7]

	ESA Code	2011	2012	2013
Real GDP growth (%)				
Previous update		1¾	1½	1¼
Current update		1.2	-¾	1¼
Difference		-0.55	-2¼	0
General government net lending (% of GDP)	EDP B.9			
Previous update		-3.7	-2.2	-1.8
Current update[8]		-4.7	-4.2	-3.0
Difference		-1.0	-2.0	-1.2
General government gross debt (% of GDP)				
Previous update		64.5	64.9	64.7
Current update		65.2	70.2	70.7
Difference		0.7	5.3	6.0

Naturally the worsening growth forecast has an impact on government finances. Net government lending is foreseen to be much higher than in the previous update. Without additional policy

[7] The figures concerning growth are based on the CPB's latest CEP-forecast (based on no policy change). Deficit and debt figures for 2013 in the current update are based on calculations of the Ministry of Finance.

[8] Including the effect of the EMU-balance 2011 realization of CBS, as notified to Eurostat, and the additional measures to be taken in 2012 and 2013.

measures, the difference between the updates in the projected deficits would amount to 2.7 percent in 2013 and 2014, and decrease only slightly in 2015 due to the pick-up in economic growth. This deterioration is almost fully caused by lower than expected revenues, as can be seen in table 5.2.

Analysis budget outcome 2011 and worsening forecast 2012-2015

In 2011 the expenditure developments compared to the forecast in the previous Stability Programme balanced out (see table 5.2). Due to an advantageous interest rate interest costs were lower than expected. Gas revenues[9] turned out well as a result of the high oil price with which the gas revenues are interlinked. Nonetheless expenditures strike a balance due to several small setbacks in a wide range of costs. From 2012 onwards a comparable outcome is expected on the expenditure side. Gas revenues and low interest costs are projected to compensate for setbacks in unemployment benefits and health care costs.

However, as can be seen, revenue developments have had a large negative impact. In 2011, lower than expected profits, consumption and housing market developments translated into significant revenue setbacks with the corporate income tax (-0.3% of GDP), the value added tax (VAT; -0.2% of GDP) and the transfer tax on houses (-0.2% of GDP). For the period 2013-2015, the personal income tax (including social insurance contributions AOW, ANW, AWBZ) account for the largest setbacks.

[9] Gas revenues count as negative expenditures within the Dutch budgetary framework.

Table 5.2 Impact of revenue and expenditure developments on budget balance (%GDP)

	2011	2012	2013	2014	2015
Previous update	**-3.7**	**-2.2**	**-1.8**	**-1.4**	**-0.9**
Revenue developments	**-1.3**	**-2.2**	**-2.7**	**-2.7**	**-2.4**
Of which:					
Personal income tax (including social insurance contributions)	-0.2	-0.8	-1.2	-1.1	-1.1
Employee insurance contributions	-0.1	-0.1	-0.2	-0.3	-0.2
Value added tax (VAT)	-0.2	-0.4	-0.2	-0.3	-0.2
Corporate income tax	-0.3	-0.3	-0.3	-0.3	-0.2
Tax on dividends	-0.1	-0.1	-0.2	-0.1	-0.1
Transfer tax on houses	-0.2	-0.3	-0.2	-0.2	-0.2
Other tax revenues	-0.2	-0.2	-0.3	-0.4	-0.4
Expenditure developments	**0.0**	**-0.2**	**-0.1**	**0.0**	**0.0**
Of which:					
Expenditure on interest	0.4	0.3	0.4	0.4	0.4
Gas revenues	0.3	0.4	0.4	0.4	0.3
Social payments	-0.2	-0.2	-0.3	-0.3	-0.2
Other	-0.5	-0.7	-0.6	-0.5	-0.5
CEP-forecast CPB	**-5.0**	**-4.6**	**-4.6**	**-4.1**	**-3.3**

As specified in chapter 1 and 2, the government will work on gathering the necessary support in Parliament for additional measures that bring the EMU-deficit to a maximum of 3% in 2013. These additional measures will foster economic growth and improve the functioning of the labor market and the housing market.

Alternative scenarios and risks including sensitivity of budgetary projections

As stated in chapter 3, the economic outlook is highly uncertain. Given the Netherlands' extensive trade and financial links, the main risks surrounding the baseline scenario stem from external sources. Therefore, this sensitivity analysis presents possible effects of a slowdown in one of the most influential external assumptions for Dutch economic performance, namely relevant world trade. In addition, the effects of a sharp decrease in house prices with respect to the base scenario will be analysed. Both scenarios assume a change of the variables at the start of 2012, and then present the effects over the period 2012-2013. Both scenarios are estimations of the Ministry of Finance, based on the most recent version of SAFFIER (CPB's model for making short-term projections, medium-term scenarios and analyses of coalition agreements and policy options).

Scenario 1: A slowdown in world trade, lower Dutch exports

The recovery of the global economy could be weaker in the short-term as a result of a slower restoration of consumer and producer confidence. This would entail higher savings by consumers and a much slower build-up of inventories by the corporate sector, thereby providing a negative impulse to global trade activity. Due to lower demand compared to the baseline, both international as well as domestic, employment would decrease in the projections. Lower VAT receipts, in combination with an increase in unemployment benefits, would lead to a deterioration of the government balance in this scenario. Table 5.3 displays the expected effects over the period 2012-

2013 of a decrease in relevant world trade by 2 percentage points compared to the baseline in the scenario in the programme.

Table 5.3 Alternative scenario 1: slowdown of world trade with 2 percent (deviations in %)

	Baseline scenario 2012	Baseline scenario 2013	Deviation from baseline scenario 2012	Deviation from baseline scenario 2013	Cumulative deviation from baseline scenario (2012-2013)
Volume of GDP	-¾	1¼	-0.4	-0.2	-0.6
Consumer price index (CPI)	2.3	1.7	0	-0.2	-0.2
Wage rate private sector	1¾	1½	-0.4	-0.2	-0.6
Volume of private consumption	-½	½	0	-0.4	-0.4
Volume of private investment (excluding residential investment)	-3¼	7½	-2.2	0.2	-2
Volume of exports of goods (excluding energy)	-1¾	3¾	-1.8	0.2	-1.6
Employment	½	-¼	-0.2	-0.2	-0.4
General government balance (% of GDP)	-4.2	-3.0	-0.2	-0.2	-0.4

Scenario 2: A 10 percent drop in house prices

Table 5.4 displays the expected effects over the period 2012-2013 of a 10 percent decrease in house prices at the start of 2012. The price decline would affect the net wealth position of households, with a subsequent negative impact on consumption. In the CPB-models, lower consumption would, in turn, lead to lower production, which also negatively impacts private investment. In contrast, the volume of exports would benefit slightly from lower house prices according to the CPB, since lower wages and prices would lead to an improvement in competitiveness. As can be seen, the negative impact of a decline in house prices on GDP and the government balance are expected to be relatively modest.

Table 5.4 Alternative scenario 2: 10 percent decline of house prices (deviations in %)

	Baseline scenario 2012	Baseline scenario 2013	Deviation from baseline scenario 2012	Deviation from baseline scenario 2013	Cumulative deviation from baseline scenario (2012-2013)
Volume of GDP	-¾	1¼	-0.1	0	-0.1
Consumer price index (CPI)	2.3	1.7	-0.1	-0.3	-0.4
Wage rate private sector	1¾	1½	-0.2	-0.2	-0.4
Volume of private consumption	-½	½	-0.3	-0.2	-0.5
Volume of private investment (excluding residential investment)	-3¼	7½	-0.3	0	-0.3
Volume of exports of goods (excluding energy)	-1¾	3¾	0	0.1	0.1
Employment	½	-¼	0	-0.1	-0.1
General government balance (% of GDP)	-4.2	-3.0	-0.1	0	-0.1

Chapter 6 Sustainability of public finances

In June 2010 the CPB estimated the Dutch sustainability gap at 4.5 percent GDP, or 29 billion EUR. The combined effect of the measures included in the Coalition Agreement would imply a reduction of the sustainability gap by 24 billion EUR, more than 80 percent. The recent actualization by the CPB shows a deterioration of the robust primary balance (the structural balance excluding interest payments and gas revenues) due to recent economic developments. The current estimate of the sustainability gap in 2015, which incorporates policy as well as the pension agreement, is 2.6 percent of GDP or 17 billion EUR.

The Sustainability Gap

Reducing the current budget deficit is needed in order to restore sustainable government finances. Sustainable government finances, in turn, are a prerequisite for a responsible intergenerational distribution of income. If government finances are unsustainable, a large bill will be paid by future generations. The ageing of the Dutch population puts pressure on the sustainability of government finances. Demographic projections show an 100 percent increase in the ratio inactive to active population. As a result, there would be a growing divergence between government expenditure and tax revenues (including social insurance contributions), as age-related spending on pensions (AOW) and health care grow faster than government revenues. Restoring sustainable government finances is a major goal of the government. Therefore, it has laid down an important and ambitious package of cost-saving measures to improve the sustainability of public finances.

In March 2012, the CPB Netherlands Bureau of Economic Policy Analysis published its new estimation of the sustainability gap. In its estimation, the CPB incorporates the pension agreement and estimates the sustainability gap to be 2.6 percent of GDP or 17 billion euro (CEP, 2012). Sustainability measures of the government are based on CPB figures, as these incorporate country-specific circumstances and take into account the implications of indirect taxes on pension payments. For international comparisons, figures of the European Commission are more suitable.

In the previous estimation (March 2010), the CPB estimated the sustainability gap at 4.5 percent of GDP. The Coalition Agreement contains a large number of measures that reduce the sustainability gap in 2015. In the update of March 2012, the total effect of the Coalition Agreement excluding the pension agreement was estimated to be 3.4% of GDP. In the most recent forecast (CEP, March 2012), the CPB assumes a sustainability gap of 1.1% of GDP in 2015. The latest forecast foresees, in comparison to previous projections, a slower growth of tax revenues. Government expenditures in terms of GDP has also been revised upwards. Taken together, this leads to a deterioration of the primary balance with 2.1% of GDP. On the other hand, the CPB includes the full benefits of the pension agreement, which has a positive payoff in terms of sustainability, in its current update.
Including the effects of the pension agreement and accounting for recent economic developments, the CPB currently estimates the sustainability gap in 2015 at 2.6 percent of GDP.

The pension agreement consists of the following elements: (i) The pension age for the first pillar AOW has increased and will be linked to life-expectancy; (ii) the retirement age for second pillar pensions will also be linked to life-expectancy; (iii) the social partners have proposed a number of additional changes in the pension contracts. In February 2012, a law which legislates (i) and (ii) has been adopted by the lower house in Parliament. The measures under (iii) are still under negotiation.

As part of the additional measures being proposed in agreement with the Euro-plus pact, the retirement age for the first pillar pensions will be increased earlier, with a first step of one month in 2013. In the years thereafter, the retirement age will be increased further with larger increases. In 2019 the retirement age will be 66 and in 2024 it will be 67. Thereafter, the retirement age will be linked to life-expectancy. The reform reduces the tax advantages for building up private pensions (Witteveenkader), in two ways. In 2014 the eligibility age for private pensions will be increased from 65 to 67. Further, the fiscal maximal yearly accrual rate for pension savings (and thus tax advantages) will be reduced. Both measures only affect new pension savings. In total, average savings from the reduction in tax advantages for building up private pensions are estimated at 700 million euro a year, or 0.1% of GDP. Finally, the budget for stimulating elder employees to work longer and the 'vitalitypackage' will be reduced with 0.8 billion euro in 2013. These measures are not included by the CPB in its current update of the sustainability gap in 2015.

Long term projections

Table 6.1 shows the current projections of the EC-member states 2012 joint Ageing Report. With an estimated date of publication in May 2012, these are more up to date than the national provisions dating back to June 2010. The national projections are being made only once every four years. Therefore the current update of the stability program uses projections made by the EC. These differ in two important aspects. First, the EC uses a so called 'Cohort Simulation Model' with a judgmental approach to incorporate the effects of structural reforms. For the Netherlands, this leads to rather conservative outcomes in terms of labour market participation by older workers. In national projections a faster increase of participation is foreseen, due to recent reforms such as the abolition of the tax-friendly early-exit regime. A second difference, is that the recent pension reforms are not included in the Ageing Report. Possibly, the recent pension reforms will be included in the upcoming Sustainability Report.

Table 6.1 Sustainability of public finances[10]

% of GDP	2010	2020	2030	2040	2050
Total expenditure					
Of which: age related expenditure					
Pension expenditures	6.8	7.4	9.1	10.4	10.4
Social security expenditures	1.5	1.5	1.5	1.5	1.5
Old-age and early pensions	4.8	5.9	7.7	8.9	8.9
Other pensions (disability, survivors)	2.0	1.6	1.5	1.5	1.6
Occupational pensions	4.9	5.3	6.4	7.5	7.6
Health care	7.0	7.5	7.9	8.1	8.1
Long-term care	3.8	4.4	5.4	6.7	7.6
Education expenditure	5.3	5.0	5.1	5.3	5.2
Other age-related expenditure	0	0	0	0	0
Of which: consolidated public pension fund assets	0	0	0	0	0
Assumptions					
Labour productivity growth	1.0	1.4	1.5	1.5	1.5
Real GDP growth	1.1	1.2	1.1	1.4	1.4
Participation rate males (aged 15 -64)	83.7	83.5	82.6	82.8	82.4
Participation rate females (aged 15 – 64)	72.6	75.6	76.5	77.8	77.3
Total participation rates (aged 15 – 64)	78.2	79.6	79.6	80.3	79.9
Unemployment rate (20-64)	4.0	3.1	3.1	3.1	3.1
Population aged 65+ over total population (%)	15.4	19.9	24.3	27.0	26.9

Contingent liabilities

Table 6.2 presents the contingent liabilities of the central government. In 2011 the total amount of guarantees of the central government increased substantially, from 156.64 billion euro in 2010 to 241.35 billion in 2011. The largest part of the guarantees are related to the measures to safeguard the (international) financial stability, for example the guarantee of the Netherlands for the EFSF is almost 100 billion euro. The increase in the capital of the IMF in 2011 also led to substantial additional guarantees of the Netherlands, namely 47.31 billion euro in 2011 instead of 28.79 billion euro in 2010.

[10] Tables present rounded figures. In some cases the sums of lines may therefore deviate from the individual lines due to rounding off. Unless otherwise stated - these figures are based on the most recent Ageing Working Group exercise (publication date May 2012). Please note that the EC uses a cohort simulation model for long term labour market projections, which leads to rather conservative outcomes in terms of participation.

Table 6.2 Contingent liabilities of the central government

in billions of euro	**2010**	**2011**
Public guarantees	156.64	241.35
Of which: linked to (international) financial stability		
State guarantee facility on interbank loans	39	33.17
EU balance of payments assistance	2.46	2.34
EFSF	25.87	97.78
EFSM	2.95	2.84
Participation of the Dutch Central Bank in the capital of the IMF	28.79	47.31
Participation in ABN AMRO	0.95	0.95

With a view to risk limitation, the government has tightened the budgetary rules on the provision of guarantees. An assessment framework is applied to any new guarantee schemes or to modifications of existing schemes. Important elements of the assessment framework are:

- A thorough analysis on the necessity of issuing a government guarantee or loan. Guarantees and loans are issued solely when the government attaches importance to bearing risks that cannot be borne in the market, or when substantial efficiency benefits can be reached.
- The risks associated with guarantees and loans must be determined. The rule of thumb for pricing the risks is that the pricing should cover at least all the associated costs (including implementation costs). The annual premium must be priced at 3% of the maximum exposure resulting from the proposed scheme, unless the specification of a different premium can be justified. As a rule, the premium will be charged to the end-user. If the charge for the end-user is lower than the associated costs, the relevant ministry must compensate this within its budget.
- There should be adequate governance to contain the risks that the central government is exposed to.

All guarantee schemes are subject to prior supervision by the minister of Finance. New guarantees and loans/loan schemes, as well as modifications of existing schemes, are always an element of the Council of Ministers' decision-making. Moreover, a commission has been installed to review all the existing guarantee schemes on the basis of the assessment framework. All guarantee schemes are subject to a periodic assessment. The objectives of this assessment are to review the need and value of the scheme (reassessment) and to update the quantification of the risks and pricing (revaluation).

Chapter 7 Quality of public finances

The government will improve the quality of public finances both on the expenditure and revenue side. On the expenditure side the government expenditure quote is decreasing, which can be growth-enhancing. On the revenue side, reforms are implemented to ensure a simpler, more robust and more fraud-proof tax system. Furthermore the government has implemented a reform to further improve performance based budgeting.

Accountable budgeting

In 2011, under a reform called *Accountable Budgeting* (*Verantwoord Begroten*), a new set of regulations was adopted that is intended to further improve the system of performance based program budgeting. Full implementation of the new budget format is to be completed in the 2013 budget documents which will feature the following improvements:

- Program expenses of each policy article will be detailed according to 12 mandatory types of financial instruments (e.g. subsidies, ordering, transfers to executive agencies, transfers to social funds etc.);
- All organizational expenses of a ministry are presented into a single article (apart from policy);
- These organizational expenses will be detailed into the general categories personnel and material expenses. Within these, expenses on own personnel, hiring of external personnel, ICT and contribution to the central government's Shared Service Organizations, will be specified;
- The policy information presented in the budget documents has to match more precisely the actual role and responsibility of the Ministry within a certain policy field;
- Output or outcome targets can only be communicated as such if central government has a large an active role in a particular policy field;
- Major policy changes and lessons from evaluation have a to be mentioned shortly as separate items in the budget format.

Implementation of this reform takes place in close cooperation with the Court of Audit and should result in shorter, more factual budget documents and prevent that policy information is used for the purpose of self legitimization of programs.

Developments on the expenditure side

Table 7.1: Overview of government expenditure and revenue (% of GDP)[11]

	2011	2012	2013	2014	2015
Total revenue	**45.5**	**45.5**	**45.2**	**45.4**	**45.5**
Of which:					
Taxes	23.2	23.2	22.8	22.9	23.3
Social contributions	15.5	16.0	16.2	16.4	16.3
Taxation on property income	2.7	3.0	2.8	2.7	2.5
Other revenues	4.2	3.4	3.4	3.4	3.5
Total expenditure	**50.1**	**50.0**	**49.8**	**49.5**	**48.9**
Of which:					
Health care	10.4	10.7	10.9	11.2	11.4
Social security	12.6	13.0	12.9	12.7	12.5
Public service	10.9	10.8	10.4	9.9	9.6
Education	5.4	5.5	5.4	5.3	5.3
Interest payments	2.0	2.0	2.1	2.2	2.3
Other expenditures	8.8	8.0	8.1	8.2	7.8
Balance CEP	**-4.7**[12]	**-4.6**	**-4.6**	**-4.1**	**-3.3**

The total expenditure quote decreases between 2011 and 2015 in the most recent publication of the CPB Netherlands Bureau for Policy Analysis (CEP). A decrease in the expenditure quote can be growth-enhancing. The decrease is mainly caused by a decline in expenditures on public service. The expenditures on health care are increasing. The interest payments have been lower than expected in last year's Stability Programme update, also because of lower interest rates on government bonds and bills.

Developments on the revenue side

Already realised

Corporate income tax

In 2011, the Dutch parliament adopted a bill tackling two imbalances in the corporate income tax: the tax treatment of the acquisition of Dutch subsidiaries with excessive debt and the import of permanent establishment losses.

Entrepreneurs for personal income tax purposes

The degressive allowance for entrepreneurs has been converted into a fixed basic allowance for entrepreneurs. This encourages entrepreneurs to expand their business. This will be beneficial for the Dutch economy as a whole.

Prevention of tax fraud

In 2011, the Dutch parliament agreed on several amendments of the law to fight tax fraud. For instance, people will be allowed to use only one bank account to receive tax refunds and allowances. One of the objectives of this measure is to prevent fraudulent persons to use someone else's citizen service number to file an application for a tax refund or allowance to their own bank

[11] Based on CEP 2012

[12] Including Eurostat notification for 2011.

account number. In addition to these amendments of law, the Dutch tax administration introduced several anti tax fraud measures.

Vehicle taxation

The Dutch tax law contains tax advantages to stimulate the most energy-efficient cars. These tax advantages are part of the legislation with respect to the Dutch road tax (motor vehicle tax), tax on passenger cars and motorcycles (car and motorcycle tax) and taxation of the benefit of a company car. In 2011, the parliament adopted a bill tightening the criteria for the qualification as a energy-efficient car based on the CO_2 car emission. The new criteria will encourage manufacturers to offer more energy-efficient cars on the Dutch market and consumers are encouraged to choose the most energy-efficient cars.

RDA

As from 1 January 2012, a new fiscal instrument has been introduced to stimulate investments in Research and Developments: the Research & Development Aftrek (RDA). The RDA is an extra deduction from the taxable profit of enterprises for expenses on R&D, other than wage costs. In 2012, the RDA amounts to 40% of those expenses. A budget of € 250 mln. is available in 2012. The percentage from 2013 and beyond will be determined by the available budget and the development of the total amount of the expenses on R&D, other than wage costs.

In preparation

For the additional tax measures to reduce the deficit is referred to Chapter 2.
In addition, several researches and amendments of the law are in preparation. In the further development of these plans, the government will take the current political situation in account.

Entrepreneurs for personal income tax purposes

An exploration of the possibilities of a "profit box" has been started. This is a special personal income tax regime on behalf of entrepreneurs for income tax purposes containing a separate tax rate and less tax deductions.

Bank levy

On 15 December 2011, a bill was sent to parliament introducing a bank levy. The main reason to introduce this tax is that during the financial crisis in 2008/09 the Dutch government had no other option than to invest considerably in the stability of the Dutch bank sector. The taxable base is the total amount of the unsecured debts of the bank. These unsecured debts of the bank equal the total amount of equity and liabilities on the balance sheet minus the amount of tier 1 capital, the actually secured deposits under a deposit insurance scheme and the liabilities connected with the assurance activities of the bank. Short term unsecured debts are taxed against a higher rate (0,022%) than long term unsecured debts (0,011%). By this, the Dutch government aims to reduce risks and strengthen financial stability.

Van Dijkhuizen Committee

In February 2012, the Van Dijkhuizen Committee has been appointed. This Committee will explore long term and short term scenario's to make the Dutch personal income tax system in combination with social security supplements simpler, more robust and more fraud-proof. Part of this research will also be to explore a significant reduction in the income tax rate (including shifting the tax burden from the income/wage tax to indirect taxes).

Box 7.1 Information on the development of public finances of the Netherlands

Apart from regular publications on deficit and debt of the Netherlands, other publications are available for an overview of the development of the public finances.

Statistics Netherlands publishes yearly the balance sheet of the government. This government balance sheet gives Information on the net worth of the government. The assets of the government consist for 2/3 of non-financial assets as roads, buildings and mineral reserves. It should be mentioned that future developments are not included in the balance sheet, e.g. the taxing capacity and the old age transfers.

Every budgetary letter to Parliament includes since 2009 an overview of the government interventions due to the financial crisis and the euro-crisis. This so-called 'Monitor Financiële interventies' includes (1) an overview of all related fiscal measures taken and the location of the measures in the individual departmental budgets, (2) a balance sheet, (3) an overview of all (imputed) cost and receipts and (4) the related guarantees.

Not all risks for public finances - e.g. contingent liabilities - are included in the budgets and balance sheets. Information on guarantees of the State is published – since 1948 - in the yearly budget memorandum of the State and / or in the yearly financial report of the State. Important guarantees are the guarantees related to the financial crisis, the euro crisis and the export credit insurance.

For the long term sustainability of public finances the ageing studies of the CPB are relevant. The CPB publishes updates with certain regularity. The latest update dates from March 2012. Information on the sustainability of public finances is included in chapter 6 of this Stability Programme.

In 2011 the Ministry of Finance published the 'Schokproef overheidsfinanciën'. This publication contains simulations of the effects of (1) financial crisis, (2) European debt crisis and (3) worldwide economic crisis. The simulations contain direct effects on the economy and the public finances and indirect effects on e.g. guarantees.

Chapter 8 Institutional features of public finances

Last year's Stability Programme update described the budgetary rules of the government. The only change since then is that the government is working on a law that codifies the European budgetary rules in national law (Wet Houdbare Overheidsfinanciën – Wet HOF). This is one of the commitments of the Netherlands in the framework of the Euro Plus Pact. The draft law also reflect the requirements as specified in the Treaty on the Stability, Coordination and Governance in the Economic and Monetary Union and will contribute to implementing the Council Directive on requirements for budgetary frameworks of the Member States. This chapter therefore focuses on this new law.

Main components of the new law

The draft law consists of two main components, namely:

1) Rules to ensure that the Netherlands complies with the rules of the Stability and Growth Pact.
2) Rules to ensure that all sub-sectors of the general government contribute to complying with the European budgetary rules.

The draft law obliges the Netherlands to take sufficient additional measures when, based on the economic projections of the CPB Netherlands Bureau of Policy Analysis, it is expected that the national and/or European budgetary rules will not be met. The same applies when the European Commission or Council state that the fiscal policy of the Netherlands does not lead to an adequate compliance with the European budgetary rules.[13]

Moreover, the draft law codifies the main principles of the budgetary framework that the Netherlands has been using since 1994. Until now, the budgetary rules were always based on a political agreement (and were not derived from a legal obligation) at the start of a new government. For the implementation of the budgetary rules it is not strictly necessary that these rules are enshrined in law. However, codifying the main principles of the budgetary rules will ensure prudent fiscal policy also in the long run.

The main principles of the current budgetary rules

- The new government sets a multi-annual fiscal framework for the whole government's term in office (four years).
- A strict separation between revenues and expenditures. The expenditure side of the budget is governed by expenditure ceilings during the government's term in office. This implies that increases in expenditure must be compensated by cuts for all years included in the multiannual figures. Windfall revenues cannot be used to finance additional expenditures.

The draft law also includes, the current practice that the independent CPB Netherlands Bureau for Policy Analysis makes all economic projections on which the government bases its fiscal policy. For

[13] This part of the draft law might need to be amended, when the Commission publishes the principles for the automatic correction mechanism to be triggered in the event of a deviation of the MTO or the adjustment path towards it.

the evaluation of past fiscal policy the figures for the government balance will be provided by Statistics Netherlands (CBS), which is also an independent institution.

The draft law will also contain the obligation that all sub-sectors of general government contribute to complying with the European budgetary rules, including the Medium-Term Objective. This is also one of the obligations of the Council Directive on requirements for budgetary frameworks of the Member States. Therefore the draft law contains a limit for the budget balance of local governments and other sub-sectors of the general government. Non-compliance may be sanctioned.

ANNEX Tables

Table 1a. Macroeconomic prospects

	ESA Code	2011 Level (bln €)	2011 rate of change	2012 rate of change	2013 rate of change	2014 rate of change	2015 rate of change
Real GDP	B1*g	603.6	1.2	- ¾	1 ¼	1 ½	1 ½
Nominal GDP (€ bln)	B1*g		2.6	1	3	3 ¼	3 ¼
Components of real GDP							
Private consumption expenditure	P.3	270.5	-0.9	-½	½	½	¼
Government consumption expenditure	P.3	170.5	0.2	- ¾	¼	0	¼
Gross fixed capital formation	P.51	112.2	5.7	-3¼	3 ¾	3¾	3 ¼
Changes in inventories (Δ)	P.52+P.53	2.2	0.0	- ¼	0	0	0
Exports of goods and services	P.6	499.0	3.8	- ¾	3	5	5 ¼
Imports of goods and services	P.7	450.7	3.6	-1½	2¾	4¾	5
Contributions to real GDP growth							
Final domestic demand		555.4	0.7	-1	1	1	¾
Changes in inventories (Δ)	P.52+P.53	2.2	0.0	- ¼	0	0	0
External balance of goods and services	B.11	48.3	0.5	½	½	¾	¾

Table 1b. Price developments

	ESA Code	2011 level	2011 rate of change	2012 rate of change	2013 rate of change	2014 rate of change	2015 rate of change
1. GDP deflator		100	1.4	1 ¾	1 ½	1 ¾	1 ¾
2. Private consumption deflator		100	2.3	2 ¼	1 ¾	1 ¾	2
3. HICP		100	2.5	2 ¼	1 ½	1 ¾	2
4. Public consumption deflator		100	1.5	2 ¼	1 ½	2 ¼	2 ¾
5. Investment deflator		100	-1.0	1 ¾	2 ¼	1 ¼	1 ¼
6. Export price deflator		100	4.6	2	¾	¼	0
7. Import price deflator		100	4.8	2 ½	¾	¼	¼

Table 1c. Labour market developments

	ESA Code	2011 level	2011 rate of change	2012 rate of change	2013 rate of change	2014 rate of change	2015 rate of change
1. Employment, persons (thousands)		8671.5	0.3	- ¼	-0	¼	¾
2. Employment, hours worked			0.1	- ½	- ¼	0	¾
3. Unemployment rate (% of labour force)		389.2	4.5	5 ½	6	6	5 ½
4. Labour productivity, persons			0.9	- ½	1 ¼	1 ¼	¾
5. Labour productivity, hours worked			1.0	- ¼	1 ¾	1 ½	1
6. Compensation of employees	D.1	307.0	2.2	2 ½	1 ¼	2 ¾	3 ½
7. Compensation per employee		35.401	2.0	3	1 ½	2 ½	2 ¾

Table 1d. Sectoral balances

% of GDP	ESA Code	2011	2012	2013	2014	2015
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	7	6 ½	7 ½	8 ¼	8 ¾
Of which:						
- Balance on goods and services		8	8	8 ¼	8 ¾	9
- Balance of primary incomes and transfers		0,3	0	¾	1	1 ¼
- Capital account		-1.4	-1 ½	-1 ½	-1 ½	-1 ½
2. Net lending/borrowing of the private sector	B.9	12	11	12	12 ¼	12
Additional measures to be taken (incl. 2011 effect CBS)			*0.4*	*1.6*		
3. Net lending/borrowing of general government	EDP B.9	-4.7	-4.2	-3.0	NA[14]	NA
4. Statistical discrepancy						

[14] The government intends to further improve the budgetary position towards the Medium-Term Objective (MTO) in 2014 and 2015, improving the average annual structural deficit further by at least 0.5% a year as required in line with the preventive arm of the Stability and Growth Pact.

Table 2a. General government budgetary prospects[15]

	ESA Code	2011 Level (bln €)	2011 % of GDP	2012 % of GDP	2013 % of GDP	2014 % of GDP	2015 % of GDP
Net lending (EDP B.9) by subsector							
1. General government	S.13	-27.711	-4.6	-4.2	-3.0	NA	NA
2. Central government	S.1311	-16.550	-2.7	-2.7	-2.3	-2.4	-1.6
3. State government	S.1312	-16.811	-2.8	-2.7	-2.3	-2.4	-1.6
4. Local government	S.1313	-4.007	-0.7	-0.8	-0.7	-0.5	-0.5
5. Social security funds	S.1314	-7.154	-1.2	-1.1	-1.6	-1.2	-1.3
General government (S13)							
6. Total revenue	TR	274.0	45.5	45.5	45.2	45.4	45.5
7. Total expenditure	TE[1]	301.8	50.1	50.0	49.8	49.5	48.9
Additional measures to be taken (incl. 2011 effect CBS)				*0.4*	*1.6*		
8. Net lending/borrowing	EDP B.9	-27.7	-4.6	-4.2	-3.0	NA	NA
9. Interest expenditure	EDP D.41	12.3	2.0	2.0	2.1	2.2	2.3
10. Primary balance[2]		-15.4	-2.6	-2.5	-2.4	-1.9	-1.0
11. One-off and other temporary measures[3]		0.0	0.0	0.0	0.0	0.0	0.0
Selected components of revenue							
12. Total taxes (12=12a+12b+12c)		139.4	23.2	23.2	22.8	22.9	23.3
12a. Taxes on production and imports	D.2	69.5	11.5	11.4	11.4	11.2	11.2
12b. Current taxes on income. wealth. etc	D.5	68.4	11.4	11.5	11.1	11.4	11.8
12c. Capital taxes	D.91	1.5	0.3	0.3	0.3	0.2	0.2
13. Social contributions	D.61	93.3	15.5	16.0	16.2	16.4	16.3
14. Property income	D.4	16.0	2.7	3.0	2.8	2.7	2.5
15. Other [4]		25.3	4.2	3.4	3.4	3.4	3.5
16=6. Total revenue	TR	274.0	45.5	45.5	45.2	45.4	45.5
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[5]		232.7	38.7	38.8	38.6	39.0	39.3
Selected components of expenditure							
17. Compensation of employees + intermediate consumption	D.1+P.2	105.3	17.5	17.4	16.9	16.4	16.0
17a. Compensation of employees	D.1	58.9	9.8	9.6	9.3	9.1	8.9
17b. Intermediate consumption	P.2	46.5	7.7	7.8	7.5	7.3	7.1
18. Social payments (18=18a+18b)		140.2	23.3	23.9	24.0	24.1	24.1

[15] The EMU-balance includes the effect of the EMU-balance 2011 realization of CBS, as notified to Eurostat. The government intends to further improve the budgetary position towards the Medium-Term Objective (MTO) in 2014 and 2015, improving the average annual structural deficit further by at least 0.5% a year as required in line with the preventive arm of the Stability and Growth Pact.

18a. Social transfers in kind supplied via market producers	D.6311, D.63121, D.63131	69.0	11.5	11.8	11.9	12.0	12.2
18b. Social transfers other than in kind	D.62	71.2	11.8	12.1	12.1	12.0	11.9
19=9. Interest expenditure	EDP D.41	12.3	2.0	2.0	2.1	2.2	2.3
20. Subsidies	D.3	8.9	1.5	1.3	1.2	1.2	1.2
21. Gross fixed capital formation	P.51	21.0	3.5	3.7	3.6	3.4	3.2
22. Other[6]		14.0	2.3	1.7	1.9	2.2	2.0
23=7. Total expenditure	TE[1]	301.8	50.1	50.0	49.8	49.5	48.9
p.m.: Government consumption (nominal)	P.3	169.1	28.1	28.4	28.1	27.8	27.7

Table 2b. Breakdown of revenue

	Year 2011	**Year 2011**	**Year 2012**	**Year 2013**	**Year 2014**	**Year 2015**
	Level (mln euro)	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
1. Total revenue at unchanged policies	216 490	0.1	0.3	0.8	1.2	1.4
2. Discretionary revenue measures	2 088	0.4	0.5	0.0	0.3	0.3

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

	2011	**2011**	**2012**	**2013**	**2014**	**2015**
	Level	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
1. Expenditure on EU programmes fully matched by EU funds revenue	0.337	0.06	0.04	0.06	0.05	0.03
2. Expenditure fully matched by mandated revenue increases	38.59	6.40	6.51	6.68	6.84	6.95
Of which expenditure on health care	34.99	5.81	5.77	5.91	6.05	6.18
Of which expenditure on social affairs	3.60	0.59	0.74	0.77	0.79	0.77
3. Non-discretionary changes in unemployment benefit expenditure	8.7	-	0.33	0.11	0.02	0.00

Table 3. General government expenditure by function (based on no policy change)

% of GDP	COFOG Code	Year 2009	Year 2015
1. General public services	1	5.9	5.1
2. Defence	2	1.4	1.2
3. Public order and safety	3	2.1	2.1
4. Economic affairs	4	6.0	4.2
5. Environmental protection	5	1.8	1.6
6. Housing and community amenities	6	0.7	0.6
7. Health	7	8.3	9.6
8. Recreation, culture and religion	8	1.8	1.6
9. Education	9	5.9	5.8
10. Social protection	10	17.3	17.2
11. Total expenditure (=item 7=23 in Table 2)	TE[1]	51.2	48.9

Table 4. General government debt developments

% of GDP	ESA Code	2011	2012	2013	2014	2015
1. Gross debt		65.6	70.2	70.7	NA	NA
2. Change in gross debt ratio		2.7	4.6	2.8	2.0	1.0
Contributions to changes in gross debt						
3. Primary balance		3.0	2.5	2.4	1.9	1.0
4. Interest expenditure	EDP D.41	2.0	2.0	2.1	2.2	2.3
5. Stock-flow adjustment		-2.3	0.1	-1.7	-2.1	-2.3
of which:						
- Differences between cash and accruals		0.3	0.1	0.0	-0.1	0.0
- Net accumulation of financial assets		-0.5	0.3	0.1	0.4	0.3
of which:						
- privatisation proceeds						
- Valuation effects and other		-2.0	-0.3	-1.9	-2.3	-2.6
p.m.: Implicit interest rate on debt[7]		2.9	2.3	2.7	3.0	3.3
Other relevant variables						
6. Liquid financial assets		NA	NA	NA	NA	NA
7. Net financial debt (7=1-6)		NA	NA	NA	NA	NA
8. Debt amortization (existing bonds) since the end of previous year		4.6	4.9	5.0	4.5	5.5
9. Percentage of debt denominated in foreign currency		2.2	NA	NA	NA	NA
10. Average maturity		7.0	NA	NA	NA	NA

Table 5. Cyclical developments

	ESA Code	2011	2012	2013	2014	2015
1. Real GDP growth		1.2	-0.7	1.3	1.6	1.6
2. Net lending of general government[16]	EDP B.9	-4.7	-4.2	-3.0	NA	NA
3. Interest expenditure	EDP D.41	2.0	2.0	2.1	2.2	2.3
4. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
5. Potential GDP growth		1.2	0.5	0.8	1.0	1.1
Contributions to growth:						
- Labour		0.2	-0.4	-0.1	-0.1	-0.1
- Capital		0.5	0.4	0.4	0.5	0.5
- Total factor productivity		0.5	0.5	0.5	0.6	0.6
6. Output gap (EC method)		-2.1	-3.3	-2.9	-2.3	-1.8
7. Cyclical budgetary component		-1.2	-1.8	-1.6	-1.3	-1.0
8. Cyclically-adjusted balance (2-7)		-3.6	-2.5	-1.3	NA	NA
9. Cyclically-adjusted primary balance (8+3)		-1.6	-0.5	0.9	NA	NA
10. Structural balance (8 - 4)		-3.6	-2.5	-1.3	NA	NA

Table 6. Divergence from previous update

	ESA Code	2011	2012	2013	2014	2015
Real GDP growth (%)						
Previous update		1¾	1½	1¼	1¼	1¼
Current update		1.2	-¾	1¼	1½	1½
Difference		-0.55	-2¼	0	¼	¼
General government net lending (% of GDP)	EDP B.9					
Previous update		-3.7	-2.2	-1.8	-1.4	-0.9
Current update		-4.7	-4.2	-3.0	NA	NA
Difference		-1.1	-2.0	-1.2	NA	NA
General government gross debt (% of GDP)						
Previous update		64.5	64.9	64.7	64.1	63.0
Current update		65.2	70.2	70.7	NA	NA
Difference		0.7	5.3	6.0	NA	NA

[16] Including the additional measures to be taken

Table 7. Sustainability of public finances[17]

% of GDP	2010	2020	2030	2040	2050
Total expenditure*					
Of which: age related expenditure					
Pension expenditures	6.8	7.4	9.1	10.4	10.4
Social security expenditures	1.5	1.5	1.5	1.5	1.5
Old-age and early pensions	4.8	5.9	7.7	8.9	8.9
Other pensions (disability, survivors)	2.0	1.6	1.5	1.5	1.6
Occupational pensions	4.9	5.3	6.4	7.5	7.6
Health care	7.0	7.5	7.9	8.1	8.1
Long-term care	3.8	4.4	5.4	6.7	7.6
Education expenditure	5.3	5.0	5.1	5.3	5.2
Other age-related expenditure	0	0	0	0	0
Interest rate expenditure	NA	NA	NA	NA	NA
Total revenue*	NA	NA	NA	NA	NA
Of which: property income	NA	NA	NA	NA	NA
Of which: from pensions contributions	NA	NA	NA	NA	NA
Pension reserve fund assets	NA	NA	NA	NA	NA
Of which: consolidated public pension fund assets	0	0	0	0	0
Assumptions					
Labour productivity growth	1.0	1.4	1.5	1.5	1.5
Real GDP growth	1.1	1.2	1.1	1.4	1.4
Participation rate males (aged 15 -64)	83.7	83.5	82.6	82.8	82.4
Participation rate females (aged 15 – 64)	72.6	75.6	76.5	77.8	77.3
Total participation rates (aged 15 – 64)	78.2	79.6	79.6	80.3	79.9
Unemployment rate (20-64)	4.0	3.1	3.1	3.1	3.1
Population aged 65+ over total population (%)	15.4	19.9	24.3	27.0	26.9

Table 7a. Contingent liabilities of the central government

In billions of euro	2010	2011
Public guarantees	156.64	241.35
Of which: linked to (international) financial stability		
State guarantee facility on interbank loans	39	33.17
EU balance of payments assistance	2.46	2.34
EFSF	25.87	97.78
EFSM	2.95	2.84
Participation of the Dutch Central Bank in the capital of the IMF	28.79	47.31
Participation in ABN AMRO	0.95	0.95

[17] The projections of the long term revenues are foreseen in conjunction with the ongoing EC exercise on the Sustainability Report.

Table 8. External assumptions

	2011	2012	2013	2014	2015
Short-term interest rate (annual average)	1.4	0.9	0.8	1.2	1.7
Long-term interest rate (annual average)	2.9	2.3	2.7	3.0	3.3
USD/€ exchange rate (annual average)	1.39	1.29	1.29	1.29	1.29
Nominal effective exchange rate	0.7	-2.6	0.1	0.1	0.1
World GDP growth	3.5	2 ¾	3 ¾	4 ½	4 ½
EU GDP growth	1.5	- ½	1	1 ½	1 ½
World GDP growth excluding EU	4.2	4.1	4.3	4.2	4.2
Growth of relevant foreign markets	4.0	-1 ¾	4 ½	6	6
World import volumes, excluding EU	7.4	6.2	6.8	6.8	6.8
Oil prices (Brent, USD per barrel)	111.34	111	111	111	111