



# Quarterly outlook

June 2014

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This DSTA Quarterly outlook presents the issuance calendar for the third quarter and contains information about the ongoing buy-back programme and upcoming changes in the settlement period for Dutch State Loans. Furthermore, this outlook discusses in some detail the latest economic and budgetary forecasts for the Netherlands.

As of mid June, a total of € 34.4 bln has been issued on the capital market, covering approximately two-thirds of the total targeted capital market funding for 2014.

## Issuance calendar Q3

In the third quarter, two reopenings are planned of the 10-year DSL 15 July 2024, for a total amount of approximately € 4 bln. The 5-year Dutch Direct Auction (DDA) will be held in September/October. Detailed information on the DDA will be announced in due course. Traditionally, there is no DSL issuance in August.

## Funding and issuance

### Funding and issuances in the second quarter

Following the Finance Ministry's publication of the Spring Memorandum on 28 May 2014, the total borrowing requirement for 2014 has been updated. Buy-backs of Dutch State Loans (DSLs) were partly offset by a decrease in the anticipated cash deficit, resulting in an increase of the total borrowing requirement to € 91.3 bln. Below you can find more information on our buy-back programme. The next update of the borrowing requirement will be provided following the publication of the Budget Memorandum on 16 September.

Borrowing requirement 2014 (€ bln)	Update	Previous
Capital market redemptions 2014	32.2	32.2
Buy-back DSLs 2015	4.9	
Money market ultimo 2013*	41.6	41.6
Cash deficit	12.6	13.9
<b>Total borrowing requirement</b>	<b>91.3</b>	<b>87.7</b>

\* including cash collateral

The increased funding need will be accommodated by stepping up the call on the money market, which serves as a buffer to absorb adjustments in the financing need over the course of the year. The level of capital market funding remains fixed at approximately € 50 bln.

Funding in 2014 (€ bln)	Update	Previous
Capital market funding	50.0	50.0
Money market ultimo 2014*	41.3	37.7
<b>Total funding</b>	<b>91.3</b>	<b>87.7</b>

\* including cash collateral

### DSL issuance calendar Q3 2014

Auction date	Details	Amount (€ bln)
8 July	Reopening 10-year DSL 15 July 2024	1.5-2.5
9 September	Reopening 10-year DSL 15 July 2024	1.5-2.5
September/ October	DDA window for new 5-year DSL	

Note: announcement of all auction details is on the Wednesday prior to the auction date (t-6).

### DTC issuance calendar Q3 2014

Auction date	Settlement date	3-month programmes	6-, 9-, 12-month programmes
07-07-2014	09-07-2014	30-09-2014	30-06-2015
21-07-2014	23-07-2014	31-10-2014	30-01-2015
04-08-2014	06-08-2014	31-10-2014	27-02-2015
18-08-2014	20-08-2014	28-11-2014	27-02-2015
01-09-2014	03-09-2014	28-11-2014	31-03-2015
15-09-2014	17-09-2014	06-01-2015	31-03-2015

Notes: shaded fields indicate new programmes; announcement of all auction details is on the Wednesday prior to the auction date (t-5).

### DSTA buy-back programme

The buy-back programme intends to improve cash management by reducing surplus cash positions and redemption peaks. Therefore, this facility is only applicable to DSLs that mature in the current year or the next year (year T or T+1). Buy-backs are not performed through pre-announced auctions. Instead, the DSTA determines on a day-by-day basis whether, and to what extent, it will buy back DSLs. The buy-back operation always takes place via one of the Primary Dealers. DSLs that have been bought back by the DSTA are cancelled immediately.

To ensure sufficient liquidity, the outstanding amount of every DSL will remain at least € 10 bln. The outstanding amount of individual DSLs is updated monthly on the website and on Bloomberg. Additionally, the DSTA's repo facility remains available to Primary Dealers for all DSLs.

#### Buy-back Programme (€ mln)

	DSL 3.75% 15 July 2014	DSL 2.75% 15 January 2015	DSL 0.75% 15 April 2015	DSL 3.25% 15 July 2015
Total issued	16,349	15,489	15,005	15,110
Total bought back ultimo May	3,810	3,896	1,030	0
New amount outstanding	12,539	11,593	13,975	15,110

#### T+2 as standard settlement period for DSLs

On 15 April 2014, the European Parliament adopted the regulation on Securities Settlement and Central Securities Depositories (CSDR). The text of this regulation includes, inter alia, the harmonisation of the settlement period for transferable securities executed on trading venues across Europe at two business days after the trading took place (T+2). A majority of trading venues confirmed that they will implement the T+2 settlement cycle as of 6 October 2014.

In line with the CSDR and the decision of the trading venues, the Netherlands decided to further harmonise the standard settlement period for OTC transactions on DSLs in primary issuances and secondary markets in line with the T+2 settlement cycle. This measure will become effective as of 6 October 2014. This enhanced harmonisation across all primary and secondary markets will reduce operational inefficiencies and risks for cross-border transactions.

The original text of the ESDM press release, dated 15 May 2014, can be found on:  
[http://europa.eu/efc/pdf/esdm\\_press\\_release\\_t+2\\_may\\_2014.pdf](http://europa.eu/efc/pdf/esdm_press_release_t+2_may_2014.pdf)

## Economic outlook

On 16 June, the independent CPB Netherlands Bureau for Economic Policy Analysis (CPB) published an update of its economic projections. The CPB maintains its growth expectations of 0.75% and 1.25% for 2014 and 2015 respectively. There are clear signs of economic recovery, such as a steady growth of industrial production, increasing consumer and producer confidence, and a stabilisation of house prices and unemployment. The Dutch recovery after recession is following its traditional pattern, in which export figures improve first, followed by increasing investments and finally – albeit with some delay – rising employment and increasing consumption.

#### Key economic indicators for the Netherlands

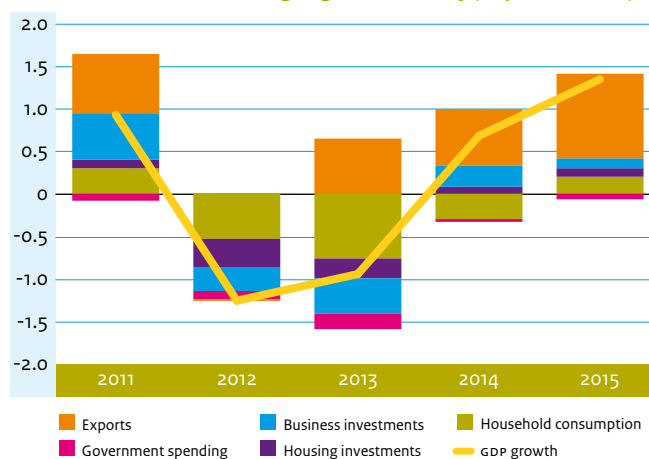
% change (y-o-y)	2014	2015
GDP	0.75	1.25
Private consumption	-0.25	0.75
Gross fixed investment (including inventories)	4.75	2.25
Government expenditure	-0.25	0
Exports	3	4
Imports	3.25	3.5
Unemployment (% of the labour force)	7.25	7.25
Labour productivity	1.75	1.25
Inflation (CPI)	1.25	1.5

Source: CPB Netherlands Bureau for Economic Policy Analysis, June 2014

In the first quarter GDP growth declined by 1.4% of GDP (q-o-q). The CPB assumes this decline is temporary due to two reasons. Firstly, the figures of the last quarter of 2013 were influenced by positive one-off effects which automatically lead to a negative effect in the following quarter. Secondly, the Netherlands experienced a very warm winter which has strongly affected gas revenues and consumption. Gas production is still likely to reach the ceiling set by the government and the CPB expects an echo in household consumption, which limits the effect on overall growth for 2014.

A gradual recovery of the Dutch economy started to become visible in the middle of 2013 when export and investment figures improved markedly, but its effect on the overall economic performance was dampened by the negative impact of domestic consumption. External demand has remained solid. Despite relatively weak growth in the euro area, the main export market, exports will rise by a projected 3% in 2014 due to demand from emerging markets. The consistent growth in exports during a long period of soft global economic growth reflects the high degree of competitiveness of the Dutch export sector. This is also visible in the latest rankings of the World Economic Forum of the most competitive European economies. In third position the Netherlands follows directly behind Finland and Sweden and is just ahead of Denmark and Germany.

#### All market sectors contributing to growth recovery (%-points of GDP)

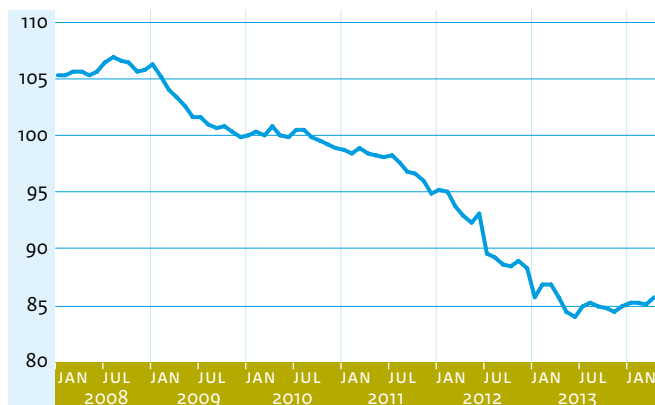


Source: CPB Netherlands Bureau for Economic Policy Analysis, June 2014

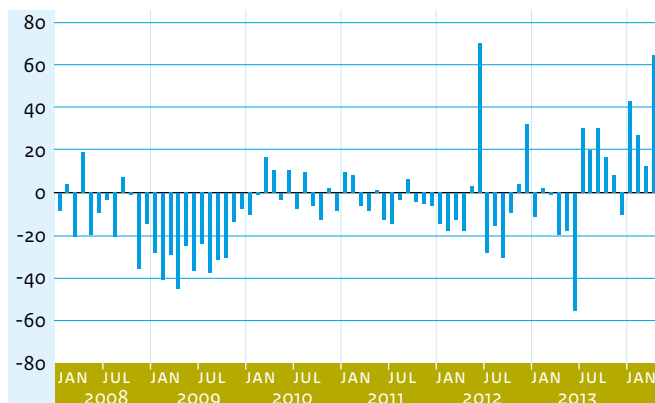
Almost a year into the recovery, growth is not only supported by higher export volumes, but investments are also picking up. Even though private consumption will still have a slightly negative impact on growth in 2014, a clearly improving trend is visible and it is expected to increase by 0.75% in 2015.

The economic recovery has been slowed down by a continued balance sheet adjustment by households, banks, pension funds and the government. However, the housing market seems to have finally bottomed out as both prices and sales numbers have improved since July 2013. Both the CPB and Dutch Central Bank foresee a gradual turn-around in housing prices, with the latter expecting an increase of around 3% in 2016. The improving housing market will contribute to the general purchasing power and consumption of households. In addition, real wages are expected to increase in 2014-2015, aided by downwards adjusted pension and healthcare premiums. Inflation remains subdued and will increase only slowly from 1.25% in 2014 to 1.5% in 2015.

#### House prices stabilising (2010=100)



#### Housing sales on the rise (% change (y-o-y))



Source: Statistics Netherlands (CBS)

Unemployment is another component following the traditional Dutch pattern for recovery: at the start of the crisis unemployment in the Netherlands remained stable for a very long period due to the fact that employers were reluctant to let go of their personnel

because of a very tight labour market just before the crisis. When the crisis continued, unemployment increased due to increasing dismissals. Now, in a period of slow recovery, unemployment figures respond with a delay again as employers are hesitant to hire new labour until the recovery proves to be persistent. This is the reason that unemployment remains historically high (though still relatively low in a European perspective) in 2014 at 7.25% and remains stable in 2015.

## Budgetary outlook

In May, the government updated the 2014 budget by sending the Spring Memorandum to parliament. The Spring Memorandum combines economic forecasts by the CPB with the most recent figures on government spending and income. Government spending is lower than was expected when the 2014 budget was sent to parliament in September. This is mainly caused by lower expenditures on healthcare and social security. The lower than expected expenditures on social security reflect that unemployment figures are lower than previously expected. These lower government expenditures will have a positive effect on government debt. The debt figure also benefits from the sale of the ING Illiquid Assets Back-up Facility assets.

The EMU deficit was -2.5% of GDP in 2013 and is expected to remain below the 3% of GDP norm. Therefore, the European Commission (EC) has recommended to end the excessive deficit procedure for the Netherlands.

On 16 June, the CPB published its most recent economic and budgetary forecast for 2014 and 2015. The CPB expects an EMU deficit for 2014 of 2.9% of GDP, the same as in its previous March forecast. This reflects the net effect of lower government spending - in line with the Spring Memorandum - and lower government income as a result of the latest forecasts for natural gas production and prices. For 2015, the CPB expects the deficit to improve to 2.2% of GDP, mainly because of an uptick in economic growth and as a result of measures taken by the government to curtail healthcare spending. The CPB now expects the EMU-debt to be 74.6% of GDP in 2014 and 74.9% in 2015. All figures in this outlook do not include the forthcoming ESA 2010 revision of national accounts. From September, this revision will lead to an increase of measured GDP. The CPB expects this to result in a 4-5 %-points lower debt ratio.

#### Key budgetary figures

	2012	2013	2014	2015
EMU balance (% of GDP)	-4.1	-2.5	-2.9	-2.2
EMU debt (% of GDP)	71.3	73.3	74.6	74.9

Source: CPB Netherlands Bureau for Economic Policy Analysis, June 2014

## Outstanding debt

### DSL position per ultimo May 2014

Isin code	DSL	Volume in issue (€)
NL0000102325	3.75 pct DSL 2004 due 15 July 2014	12,538,679,819
NL0009213651	2.75 pct DSL 2009 due 15 January 2015	11,592,940,000
NL0010055703	0.75 pct DSL 2012 due 15 April 2015	13,975,000,000
NL0000102242	3.25 pct DSL 2005 due 15 July 2015	15,109,765,000
XS0827695361	0.25 pct DSL USD 2012 due 12 September 2015	2,792,722,413
NL0010364139	0.00 pct DSL 2013 due 15 April 2016	15,238,000,000
NL0000102283	4.00 pct DSL 2006 due 15 July 2016	14,328,467,000
NL0009819671	2.50 pct DSL 2011 due 15 January 2017	15,638,920,000
XS0749484217	1.00 pct DSL USD 2012 due 24 February 2017	2,511,619,113
NL0010661930	0.50 pct DSL 2014 due 15 April 2017	9,322,000,000
NL0006007239	4.50 pct DSL 2007 due 15 July 2017	14,654,990,000
NL0010200606	1.25 pct DSL 2012 due 15 January 2018	15,472,425,000
NL0006227316	4.00 pct DSL 2008 due 15 July 2018	15,081,020,000
NL0010514246	1.25 pct DSL 2013 due 15 January 2019	15,021,224,000
NL0009086115	4.00 pct DSL 2009 due 15 July 2019	14,056,398,000
NL0009348242	3.50 pct DSL 2010 due 15 July 2020	15,069,615,000
NL0009712470	3.25 pct DSL 2011 due 15 July 2021	16,493,985,000
NL0010060257	2.25 pct DSL 2012 due 15 July 2022	15,252,147,000
NL0000102275	3.75 pct DSL 2006 due 15 January 2023	10,828,450,000
NL0000102077	7.50 pct DSL 1993 due 15 January 2023	3,241,038,737
NL0010418810	1.75 pct DSL 2013 due 15 July 2023	15,825,963,000
NL0010733424	2.00 pct DSL 2014 due 15 July 2024	9,342,132,000
NL0000102317	5.50 pct DSL 1998 due 15 January 2028	13,028,814,230
NL0010071189	2.50 pct DSL 2012 due 15 January 2033	10,048,900,000
NL0000102234	4.00 pct DSL 2005 due 15 January 2037	13,697,427,000
NL0009446418	3.75 pct DSL 2010 due 15 January 2042	14,420,910,000
NL0010721999	2.75 pct DSL due 15 January 2047	3,725,187,000
	Inscription registers	22,513,633
	Private placements	4,416,494,855
<b>Total</b>		<b>332,747,747,800</b>

### ECP per ultimo May 2014

Currency	Volume in original currency	Volume in euros
ECP in euro	590,000,000	590,000,000
ECP in US dollar	1,259,000,000	923,653,543
ECP in British pound	150,000,000	184,095,365
ECP in Swiss franc	-	-
ECP in Norwegian krone	1,170,000,000	142,955,264
<b>Total</b>		<b>1,840,704,173</b>

### DTC per ultimo May 2014

Isin code	Maturity date	Volume in issue (€)
NL0010524427	DTC 2014-06-30	7,950,000,000.00
NL0010696662	DTC 2014-07-31	4,050,000,000.00
NL0010721809	DTC 2014-08-29	2,490,000,000.00
NL0010730636	DTC 2014-09-30	2,130,000,000.00
NL0010762050	DTC 2014-10-31	1,290,000,000.00
NL0010763595	DTC 2014-11-28	2,350,000,000.00
NL0010661880	DTC 2015-01-06	2,730,000,000.00
<b>Total</b>		<b>22,990,000,000.00</b>

Note: numbers may not add up due to rounding.

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Additional online information on DSLs,  
DTCs and ECP can be obtained from:  
Reuters - DSTAMENU  
Bloomberg - DSTA

The cut-off date of this outlook is  
20 June 2014 (unless mentioned  
otherwise)

#### Colophon

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