



Quarterly outlook

June 2016

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This DSTA Quarterly outlook presents the issuance calendar for the third quarter, gives an update of the funding requirement and contains information about the ongoing DSL buy-back programme. Moreover, this outlook discusses the latest economic and budgetary projections for the Netherlands.

Funding and issuance

Updated borrowing requirement

Following the publication of the Spring Memorandum by the Minister of Finance on 27 May 2016, the borrowing requirement for 2016 has been updated. The total borrowing requirement for 2016 has increased somewhat to € 74.2 bn. This is largely due to DSLs maturing in 2017 and 2018, which the DSTA has bought back up to the end of May. The reduction in the expected cash deficit for 2016 partly offsets this increase. The DSTA will continue its buy-back programme for the remainder of 2016.

More information can be found below. The next update of the borrowing requirement will be provided in September, after the publication of next year's Budget Memorandum.

Borrowing requirement 2016 (€ bn)	Update	Previous
Capital market redemptions 2016	28.1	28.1
Buy-backs 2017 & 2018 (up to May)	5.1	3.4
Money market ultimo 2015	15.2	15.2
Cash collateral ultimo 2015	19.4	19.4
Cash deficit 2016*	6.4	7.6
Total borrowing requirement	74.2	73.7

* The estimate for the cash deficit in 2016 includes the recent inflow following the partial sale of insurer ASR. However, it does not take into account inflows following possible additional sales of shares in state owned enterprises in the second half of 2016.

In line with previous years, the money market will continue to act as the primary buffer for accommodating changes in the funding need during the year. The flexibility on the capital market, although relatively limited, provides an extra cushion for dealing with changes in the funding need.

Funding 2016 (€ bn)	
Capital market	25 – 30
Money market ultimo 2016	44.2 – 49.2
- o/w regular money market instruments	23.9 – 28.9
- o/w cash collateral*	20.3
Total funding 2016	74.2

* Amount of cash collateral at the end of May and assuming cash collateral is constant for the remainder of the year.

As of 15 June, a total of € 15.8 billion has been issued on the capital market, representing approximately 57% of the total capital market funding for 2016¹. Primary Dealers and Single Market Specialists are evaluated periodically with respect to their primary market performance, based on duration-weighted issuance.

Top 5 PDS for DSLs (2016, up to mid June)	Top 5 PDS and SMSS for DTCS (2016, up to mid June)
1 Royal Bank of Scotland	1 ING Bank
2 Jefferies	2 ABN Amro Bank
3 ABN Amro Bank	3 HSBC France
4 HSBC France	4 Santander GB&M
5 ING Bank	5 Barclays Capital

Updated list of our PDs in alphabetical order	
ABN Amro Bank	ING Bank
Barclays Capital	Jefferies
Citigroup	NATIXIS
Commerzbank	Nomura
Deutsche Bank	Rabobank
Goldman Sachs	Royal Bank of Scotland
HSBC France	Société Générale

¹ Assuming the midpoint of the target range of € 25 to € 30 billion for the capital market funding in 2016.

Updated list of our SMSS in alphabetical order	
BBVA	Nordea
Crédit Agricole	Santander GB&M
DZ Bank	UBS

Issuance calendar Q3

In the third quarter, three tap auctions are planned for a total amount of approximately € 5.5 bn. In July the new 10-year DSL 2026 will be reopened. Traditionally, August is an auction-free month for DSLs. In September there will be two auctions. First, the new 5 year DSL 2022 will be reopened for the first time. Second, the off-the-run DSL 2037 will be reopened. The target amounts for each auction are shown in the table below.

Month of issuance	Auction date	Details	Target volume (€ bn)
July	12	Reopening 0.50% DSL 15 July 2026	1.5 – 2.5
September	13	Reopening 0% DSL 15 January 2022	2 – 3
September	27	Reopening 4% DSL 15 January 2037	0.75 – 1.25

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

The third quarter has six auction dates in total for Dutch Treasury Certificates (DTCS). The DTC calendar follows the usual pattern.

Auction date	Settlement date	3 months programme	6 months programme
04-07-2016	06-07-2016	30-09-2016	30-12-2016
18-07-2016	20-07-2016	30-09-2016	30-12-2016
01-08-2016	03-08-2016	31-10-2016	31-01-2017
15-08-2016	17-08-2016	31-10-2016	31-01-2017
05-09-2016	07-09-2016	30-11-2016	28-02-2017
19-09-2016	21-09-2016	30-11-2016	28-02-2017

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

Buy-backs of DSLs with a short remaining maturity

Since 2012, the DSTA has a buy-back facility for DSLs with a short remaining maturity. The aim of this buy-back programme is to improve the DSTA's cash management by reducing surplus cash positions and redemption peaks. The DSTA only buys back bonds that will mature within a period of up to T+24 months (from which point on the DSLs fall within the PSPP programme of the ECB).

Buy-backs are not executed through pre-announced auctions. Instead, the DSTA determines on a day-by-day basis whether, and to what extent, it will buy back DSLs. Buy-back operations always take place via a PD. DSLs that have been bought back are cancelled immediately. To ensure that the liquidity of the eligible bonds remains sufficiently high, the DSTA is committed to preserve a minimum outstanding volume per DSL of € 10 bn. As usual, all DSLs are available to PDS in the repo facility.

Economic outlook

Steady economic growth continues

According to the latest official forecast, the Dutch economy will continue to grow steadily this year and next. The independent Netherlands Bureau for Economic Policy Analysis (CPB) predicts an economic growth of 1.8% for 2016 and 2.1% for 2017. An important contribution will come from domestic spending, especially household consumption and private investments. Exports also continue to be an important driver for economic growth. Unemployment drops from 6.9% of the labour force in 2015 to 6.4% in 2016 and 6.2% in 2017. Like in the rest of the euro area, Dutch inflation remains low, dropping to 0.1% in 2016 before picking up to 0.9% in 2017. This is mainly due to the expectation of higher commodity prices.

An important downside risk is the prospect of a Brexit. According to a recent analysis by the CPB, the impact would be larger for the Dutch economy than other EU member countries because it is more intertwined with the UK economy through trade. The CPB estimates that costs could amount to 1.2% of GDP by 2030, which is approximately € 10 billion. Despite uncertainty about the development of the relations between the UK and the EU, the effects are expected to be less in the short term as the transition is likely to occur gradually.

Other downside risks include a further slowdown of global trade and uncertainty about monetary policies in the United States and the euro area. There is also upside potential from an acceleration in the ongoing recovery of the Dutch housing and labour markets.

Key economic figures for the Netherlands (% change y-o-y)

	2015	2016	2017
GDP	2.0	1.8	2.1
Household consumption	1.5	1.5	2.1
Government consumption	0.1	1.1	0.2
Investment (including inventories)	8.2	6.0	3.9
Exports	5.3	5.1	4.5
Imports	6.4	6.3	4.7
Employment (in hours)	1.5	1.3	1.3
Unemployment (% labour force)	6.9	6.4	6.2
Inflation (HICP)	0.2	0.1	0.9

Source: CPB, June forecast, 3 June 2016

Exports consistent driver Dutch economic growth

Although global trade grows slowly – especially due to lower economic growth in emerging economies – trade among OECD countries is picking up. As a result, exports continue to outpace GDP growth. This is despite a decrease in natural gas exports due to extraction restrictions in light of related earthquake risks. Because imports are increasing even quicker than exports, the current account surplus will decrease somewhat, to 8.8% of GDP in 2017.

Consumption picks up as disposable income increases

Disposable income is boosted due to a combination of slightly higher wages, low inflation, increased employment and a tax relief package of € 5 billion. The effect is most significant in 2016 as median purchasing power increases by 2.6%, followed by an increase of 0.2% in 2017. This contributes to consumption growth, although households tend to spread out the effect over several years. Household consumption grows by 1.5% in 2016, further increasing to 2.1% in 2017.

Investment continues rapid recovery

As is the case with exports, investments continue to grow significantly faster than GDP both this year and next. This is in part the result of higher domestic expenditure and low interest rates. Capacity utilisation is now on the same level as the twenty year average, a sign that capital goods no longer go unused. Small and medium sized enterprises, however, remain constrained in their credit opportunities, which negatively impacts investment growth according to the CPB. Overall, the investment climate clearly looks to continue its recovery, with the growth rate of investments of 8.2% in 2015, gradually slowing down to 3.9% in 2017.

Labour market improving steadily

Unemployment (as a percentage of the labour force) drops this year and next. This process occurs as not only labour demand but also labour supply increases. In particular, more women and people above the age of fifty participate on the labour market, in part due to changes in social security

laws such as an increase in the statutory retirement age. Since there is no scarcity on the labour market yet, the decrease in unemployment contributes only modestly to a rise in wage income. Wages grow by approximately 2% this year and next, mostly due to increased labour productivity and higher profit margins.



Budgetary outlook

Further improvement budgetary figures

The key budgetary figures for the Netherlands continue to improve this year and next. This is largely driven by the economic recovery, limited government spending and lower interest payments. The CPB predicts that the EMU-deficit will decrease from 1.8% of GDP last year to 1.6% this year and 1.0% in 2017. The EMU-debt is expected to drop from 65.1% of GDP in 2015 to 64.5% in 2016 and 63.1% in 2017.

Key budgetary figures for the Netherlands (% of GDP)

	2015	2016	2017
Nominal EMU-balance	-1.8	-1.6	-1.0
EMU-debt	65.1	64.5	63.1

Source: CPB, 3 June 2016

Budget deficit decreasing, especially in 2017

Expenditures on social security and health care will grow slower than GDP in 2016 and 2017, contributing to an improvement in the budget deficit. Another positive contribution comes from a retrospectively receivable discount on the Dutch EU-budget contribution. The deficit in 2016 is negatively affected by the tax relief package of € 5 billion and declining proceeds from natural gas (because of low gas prices and extraction restrictions). The CPB predicts costs associated with refugees to have a negative impact on the budget deficit of 0.1% of GDP in both 2016 and 2017. All in all, the CPB expects the EMU-deficit to improve slightly in 2016 and rather significantly in 2017.

Debt ratio gradually declining

The debt to GDP ratio is expected to decline steadily this year and next. The decline is partly due to an increase in GDP (denominator effect) and mandatory participation in treasury banking for local authorities. Also, the CPB has taken into account the (further) sales of shares of ABN Amro Bank and insurer ASR, which affect the EMU-debt but not the EMU-deficit. The CPB predicts these proceeds to positively impact the EMU-debt by just over half a percentage point per year until 2019².

Outsourcing strip facility operational

On 3 May 2016 the DSTA transferred its strip facility to Euroclear Nederland. After the outsourcing to Euroclear Dutch strips have a new feature as all new strips of Dutch bonds are now fungible amongst the same type (CAC or non-CAC). The DSTA envisages this will increase the liquidity of both the strips and the bonds itself. The new fungibility of the strips includes both interest and notional strips. The old non-fungible strips will no longer be issued. In order to reconstitute these old strips, they first need to be converted into the new fungible strips.

For more information on the changes, costs and instructions for requesting strip and reconstitution activities we kindly refer to the newsletter from Euroclear Nederland on the website of the DSTA, www.dsta.nl.

² The CPB has made the technical assumption that the proceeds are spread out roughly evenly over the next few years. This assumption was made for forecasting purposes only, and does not necessarily reflect the actual outcome of future transactions.

Outstanding debt

DSL position per ultimo May 2016

Isin code	DSL	Volume in issue
NL0000102283	4.00 pct DSL 2006 due 15 July 2016	13,277,467,000
NL0009819671	2.50 pct DSL 2011 due 15 January 2017	10,801,920,000
X50749484217	1.00 pct DSL USD 2012 due 24 February 2017	2,511,619,113
NL0010661930	0.50 pct DSL 2014 due 15 April 2017	11,549,000,000
NL0006007239	4.50 pct DSL 2007 due 15 July 2017	12,954,990,000
NL0010200606	1.25 pct DSL 2012 due 15 January 2018	14,263,425,000
NL0011005137	0.00 pct DSL 2015 due 15 April 2018	14,866,000,000
NL0006227316	4.00 pct DSL 2008 due 15 July 2018	15,081,020,000
NL0010514246	1.25 pct DSL 2013 due 15 January 2019	15,321,224,000
NL0009086115	4.00 pct DSL 2009 due 15 July 2019	14,671,398,000
NL0010881827	0.25 pct DSL 2014 due 15 January 2020	15,318,184,000
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	4,263,000,000
NL0000102077	7.50 pct DSL 1993 due 15 January 2023	8,241,488,737
NL0000103000	Principal 15 January 2023	1,565,000,000
NL0010418810	1.75 pct DSL 2013 due 15 July 2023	15,825,963,000
NL0010733424	2.00 pct DSL 2014 due 15 July 2024	15,315,132,000
NL0011220108	0.25 pct DSL 2015 due 15 July 2025	15,220,159,000
NL0011819040	0.50 pct DSL 2016 due 15 July 2026	8,578,051,000
NL0000102317	5.50 pct DSL 1998 due 15 January 2028	13,028,814,230

Isin code	DSL	Volume in issue
NL0010071189	2.50 pct DSL 2012 due 15 January 2033	12,463,900,000
NL0000102234	4.00 pct DSL 2005 due 15 January 2037	13,697,427,000
NL0009446418	3.75 pct DSL 2010 due 15 January 2042	15,331,910,000
NL0010721999	2.75 pct DSL 2014 due 15 January 2047	11,163,187,000
	Inscription registers	13,078,194
	Private placements	4,201,482,403
Total		326,340,586,678

ECP per ultimo May 2016

Currency	Volume (original currency)	Volume in euros
ECP in US dollar	2,550,000,000	2,259,669,617
Total		2,259,669,617

DTC position per ultimo May 2016

Isin code	Maturity date	Volume in issue
NL0011610332	DTC 2016-06-30	4,440,000,000
NL0011678511	DTC 2016-07-29	4,650,000,000
NL0011765938	DTC 2016-08-31	2,300,000,000
NL0011821228	DTC 2016-09-30	2,150,000,000
NL0011832902	DTC 2016-10-31	2,120,000,000
Total		15,660,000,000

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Additional online information
on DSLs, DTCs and ECP can be
obtained from:
Bloomberg - dsta
www.dsta.nl

The cut-off date is 16 June 2016
(unless mentioned otherwise)