Dutch State Treasury Agency
Ministry of Finance

Quarterly Outlook

September 2019
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Funding and issuance

Updated borrowing requirement

The DSTA has updated the borrowing requirement for the current year following the publication of the Budget Memorandum 2020 by the Minister of Finance earlier this week. The borrowing requirement now stands at € 38.2 bn, which is € 6.2 bn lower than the previous estimate in May.

Borrowing requirement 2019 (€ bn)	Update	Previous
Capital market redemptions	29.6	29.6
Money market ultimo 2018 (excl. cash collateral)	20.2	20.2
Cash surplus*	-8.7	-5.0
Change in cash collateral** (Jan-Aug)	-3.2	-0.6
Buy-backs DSLs 2019 and 2020 (Jan-Aug)	0.3	0.2
Total	**38.2**	**44.4**

* A cash surplus is shown as a negative number because it decreases the total borrowing requirement.

** An increase in cash collateral is shown as a negative number because it decreases the total borrowing requirement.

The decrease in the borrowing requirement can be attributed to an increase in the anticipated cash surplus for 2019 as well as an increase in the amount of cash collateral under management. The latter is due to the decline in interest rates over the past couple of months, which has increased the value of the swap portfolio and thereby the posting of cash collateral.

The DSTA expects to fund around € 21.0 bn on the capital market through the issuance of DSLs in 2019. This is in the middle of the committed issuing range of € 19-23 bn as announced in the annual Outlook 2019. So far a nominal amount of € 18.4 bn has been raised, thus covering 87.4% of the expected issuance volume on the capital market. The remaining part of the borrowing requirement is captured by the money market, for which a year end figure of € 17.0 bn is now foreseen. This is lower than the indicative range of € 19-23 bn announced in the annual Outlook 2019, due to the drop in the funding need. The reduced call on the money market reflects its buffer function. At the same time, the DSTA expects to maintain the targeted volumes of € 1 – 2 bn for DTC-auctions in order to safeguard liquidity of the T-bill programme.

Funding 2019 (€ bn)	
Capital market issuance (DSLs) in nominal terms	21.0
Additional cash flow from DSLs not issued at par (Jan-Sep)	0.2
Money market ultimo 2019 (excl. cash collateral)	17.0
Total	**38.2**

Issuance calendars fourth quarter 2019

Two DSL auctions are scheduled for the fourth quarter, the first being an off-the-run tap and the second being a tap of the 10-year bond issued earlier this year. The off-the-run DSL that will be reopened will be in a longer-dated maturity (>10 years). The exact maturity will be announced one week prior to the auction, taking into account market demand.

DSL calendar Q4 2019

Auction date	Details	Target volume (€ bn)
8 October	Reopening longer-dated off-the-run DSL*	1.0-2.0
12 November	Reopening 0.25% DSL 15 July 2029	1.0-2.0

* The maturity will be announced on the Wednesday prior to the auction date (t-6).

The fourth quarter has six DTC auction dates and follows the usual pattern. An exception is the January programme, which will be reopened already in October rather than in November due to the fact that – in line with market demand – no December programme was launched in the third quarter.

DTC calendar Q4 2019

Auction date	Settlement date	Shorter-dated programme	Longer-dated programme
7 October	9 October		31 March 2020
21 October	23 October	31 January 2020	31 March 2020
4 November	6 November		30 April 2020
18 November	20 November		30 April 2020
2 December	4 December		29 May 2020
9 December	11 December	28 February 2020	29 May 2020

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

First estimate of borrowing requirement for 2020

Based on the Budget Memorandum 2020, the first estimate of DSTA's borrowing requirement for next year is € 45.6 bn. Although this is still fairly low, it is higher than this year's funding need. The main reason is that the cash surplus is not estimated to be as substantial as in previous years. In the years following 2020 the government now foresees a small cash deficit.

Borrowing requirement 2020, first estimate (€ bn)	
Capital market redemptions	30.0
Money market ultimo 2019 (excl. cash collateral)	17.0
Cash surplus*	-1.4
Total	**45.6**

* A cash surplus is shown as a negative number because it decreases the total borrowing requirement.

Economic Outlook

Growth mainly driven by internal factors

According to the latest forecasts published on 17 September 2019 by the independent Bureau for Economic Policy Analysis (CPB), GDP growth of 1.8% in 2019 and 1.5% in 2020 is expected for the Netherlands. Although the growth rate is lower than in recent years given the weaker external environment, it is still at its potential level. Unlike previous years, growth is mainly driven by internal factors, predominantly by household consumption and government spending. With import growth likely to outpace export growth, the current account surplus is expected to decline somewhat, to 9.6% of GDP in 2019 and 8.7% in 2020. Overall, the Dutch economy continues to outperform other euro area countries, with an expected GDP-growth level that is 0.3% higher in 2020 than in the eurozone.

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

	2018	2019	2020
GDP	2.6	1.8	1.5
Household consumption	2.3	1.5	1.9
Government consumption	1.6	2.2	2.9
Investment (including inventories)	2.2	4.8	2.3
Exports	3.7	2.3	1.9
Imports	3.3	3.1	2.9
Employment (in hours)	2.2	2.1	0.8
Unemployment (% labour force)	3.8	3.4	3.5
Inflation (HICP)	1.6	2.6	1.3

Source: CPB, 17 September 2019

Export performance aligned with developments in other countries

Exports are growing less rapidly than in the past. Exports are affected by the fallout from developments in other countries. US protectionist trade policy and the responses to this policy, the uncertain prospect of Brexit, growth in foreign sales tapering off, the growth moderation in China, and the political developments in Italy are all significant threats to the Dutch economy. As an open economy, the Netherlands is particularly exposed to these factors.

Tight labour market

According to CPB forecasts, an unemployment rate of 3.5% is expected in 2020, which is slightly more than in 2019 (3.4%). Compared to the euro area average of 7.6%, unemployment in the Netherlands is still exceptionally low. The number of vacancies was at its peak at the start of 2019. The number of jobs continues to grow, but employment growth is expected to slow down somewhat in 2020. From an international perspective the Netherlands has many flexible workers and freelancers. The current economic situation has an effect on the degree of flexibilisation of the labour market, where more and more people are getting a permanent contract instead of a flexible contract. Wage developments are modest given the tight labour market. Collectively agreed wages in the market sector will increase by 2.5 % in 2019 and 2020, which is more than previous years.

The increase in indirect taxation (lower VAT rate and energy taxes) is expected to have a strong impact on inflation (hicp) this year, pushing it up to 2.6%. Increasing real wages and higher rents on the housing market also have an upward effect on inflation. Next year inflation will likely fall back to 1.3%, which is comparable to the euro area (1.3%). Core inflation is expected to pick up due to higher labour costs, import prices and housing rent prices. Due to increasing real wages and policy measures, purchasing power is expected to see a positive development in 2020 (a 2.1% increase for the median household).

Housing market development

After some tumultuous years, the housing market is stabilising. Prices are still increasing, but less than in previous years. Nominal prices are above pre-crisis levels. The decline in the number of transactions on the housing market over the past years has tapered off. Developments in the housing market also affect consumption. For the homeowners, increasing prices have a positive effect, leading to an increase in consumption. On the other hand, increasing housing prices lead to the decline in the number of housing transactions. It also reduces spending by households on items that are often purchased when buying new homes.

Budgetary Outlook

Budgetary surpluses will decline

The government presented its Budget Memorandum for 2020 on 17 September. It expects an EMU budget surplus of 1.3% of GDP in 2019 and 0.2% in 2020. The decline in the surplus is mainly due to expansionary fiscal policy and lower economic growth. In 2021, a slight budget deficit of -0.3% of GDP is expected. The main driver behind this decline is a significant increase in public spending.

The government has come to an agreement with the social partners on the renewal of the pension system. Measures included in this Pension Agreement such as a less rapid rise of the retirement age, disability insurance for the self-employed and investments in the field of sustainable employability are expected to lead to a reduction of the EMU-balance in the long term.

The Climate Change Agreement, presented by the government this summer, sets targets for a reduction of greenhouse gas by 49% in 2030 compared to 1990 levels. The government has been taking various measures to achieve its climate goals. The new climate policy in 2020 mainly concerns energy costs. Among other things, a targeted carbon levy will be introduced to shift the financial burden from households to businesses and to stimulate businesses to become more sustainable.

The government debt is projected to fall to 49.2% of GDP by the end of 2019 and 47.7% next year, comfortably below the 60% threshold of the Stability and Growth Pact. The decline in debt levels is driven by both budget surpluses and GDP growth. No new tranches of shares of ABN Amro have been sold recently. Nevertheless, the government has the ambition to privatise ABN Amro further in the future, which would also have a diminishing effect on government debt.

Key budgetary figures for the Netherlands (% of GDP)

	2018	2019	2020
Nominal EMU-balance	1.5	1.3	0.2
EMU-debt	52.4	49.2	47.7

Source: Government budget memorandum, 17 September 2019.

Outstanding debt

DSL position ultimo August 2019

Isincode	DSL	Amount in euros
NL0010881827	0.25 pct DSL 2014 due 15 January 2020	15,157,184,000
NL0009348242	3.50 pct DSL 2010 due 15 July 2020	14,829,615,000
NL0009712470	3.25 pct DSL 2011 due 15 July 2021	16,493,985,000
NL0011896857	0.00 pct DSL 2016 due 15 January 2022	15,380,112,000
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	17,607,963,000
NL0012650469	0.00 pct DSL 2017 due 15 January 2024	15,378,277,000
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	15,113,051,000
NL0012171458	0.75 pct DSL 2017 due 15 July 2027	15,380,926,000
NL0000102317	5.50 pct DSL 1998 due 15 January 2028	13,028,814,230
NL0012818504	0.75 pct DSL 2018 due 15 July 2028	12,376,941,000
NL0013332430	0.25 pct DSL 2019 due 15 July 2029	9,047,587,000
NL0010071189	2.50 pct DSL 2012 due 15 January 2033	13,555,900,000
NL0000102234	4.00 pct DSL 2005 due 15 January 2037	15,723,427,000
NL0013552060	0.50 pct DSL 2019 due 15 January 2040*	5,985,004,000
NL0009446418	3.75 pct DSL 2010 due 15 January 2042	16,063,910,000
NL0010721999	2.75 pct DSL 2014 due 15 January 2047	14,095,187,000
	Inscription registers	12,123,078
	Private placements	**393,653,976**
	Total	**285,480,587,021**

* Green bond

DTC position ultimo August 2019

Isincode	Maturity date	Amount in euros
NL0013474323	DTC 2019-09-30	4,100,000,000
NL0013517766	DTC 2019-10-31	4,150,000,000
NL0013649494	DTC 2019-11-29	2,700,000,000
NL0013688955	DTC 2020-01-31	3,840,000,000
	Total	**14,790,000,000**

Outstanding public debt	Amount in euros
CP outstanding	181,195,528
Total outstanding DSLs, DTCs and CP in bln	**300,058,128,573**
Cash collateral	11,910,930,962

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Additional online information on DSLs, DTCs and CP can be obtained from:
Bloomberg - dsta

The cut-off date is 17 September 2019
(unless mentioned otherwise)