



Quarterly Outlook

September 2020

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Funding and issuance

Funding need

On 15 September 2020 the government presented the 2021 Budget Memorandum, including an overall update of the budgetary and economic outlook. Based on the new figures the funding need for the Dutch State now stands at € 110.7 bn.

Although still considerable, the funding need is significantly lower than the previous estimate given at the end of June (€ 138.8 bn). The key reason for the difference is that the cash deficit has improved from a forecasted € 95.1 bn at the end of June to € 66.9 bn. This in turn can be explained by the fact that the GDP decline is now less than previously predicted and that the budgetary impact of the corona support measures is also less than anticipated before.

Estimated Funding Need 2020 (in € bn)

Capital market redemptions 2020	29.9
Money market ultimo 2019 (excl. cash collateral)	14.3
Increase in cash collateral (until end of August)	-0.4
Cash deficit 2020	66.9
Buy-backs DSLs (until end of August)	-
Total	110.7

A first forecast of the funding need for 2021 will be presented in the Annual outlook to be published on 11 December. Due to the financial and budgetary uncertainties surrounding the corona crisis, no such estimate will be given in this Quarterly outlook.

Call on the capital and money market

The Dutch State Treasury Agency (DSTA) has met the higher funding need first and foremost by stepping up money market funding. When it became more clear that the higher funding need also had a more structural nature, capital market funding was also increased, from a range of € 21-26 bn announced at the start of the year, to a minimum of € 40 bn announced at the end of June. By gradually shifting money market funding to capital market funding the DSTA also acts in accordance with its goal to extend the

average maturity of the portfolio. At this stage the DSTA expects to issue around € 45 bn on the capital market this year. So far a nominal amount of € 31.3 bn has been raised, thus covering about 70% of the expected total issuance volume.

DSL issuance calendar fourth quarter 2020

Three auctions have been scheduled for Dutch State Loans (DSLs) in the fourth quarter. The 7-year DSL launched earlier this year will be reopened on 13 October and again on 24 November, as the DSTA is committed to bring the outstanding issuance volume of this bond towards approximately € 15 bn within twelve months after its launch. On 10 November an existing DSL will be tapped, of which the maturity will be decided upon after consultation with Primary Dealers. In addition, on 22 September, before the start of the new quarter, the DSTA will launch a new 30-year bond, as previously announced.

In case of unforeseen changes in the funding need the DSTA reserves the right to add an auction - on the fourth Tuesday in October or the first Tuesday in December - or, alternatively, alter or remove an auction from the DSL calendar. If changes need to be made to the issuance calendar this will be announced in a timely manner through a press release.

Auction date	Details	Target volume (€ bn)
13 October	Reopening DSL 0.00% 15 January 2027	1.5 – 2.5
10 November	Reopening of existing DSL	To be determined
24 November	Reopening DSL 0.00% 15 January 2027	1.5 – 2.5

Note: Announcement of auction details will be in due time, at the latest on the Wednesday prior to the auction date (t-6).

DTC issuance calendar fourth quarter 2020

Due to the considerable decline in the funding need from the last estimate at the end of June the DSTA has decided not to launch new 12-month DTC-programmes in the fourth quarter and only tap existing programmes every other week instead of every week. As a result, DTC auctions will now again be held on the first and third Monday of the month.

For similar reasons the DSTA has also decided to remove the 12-month DTC-programme, that would otherwise be launched on 28 September in the present quarter, from the DTC calendar. The DSTA also reserves the right to add or remove DTC-programmes or reopenings in the fourth quarter if circumstances change.

Auction date	Settlement date	Programme 1	Programme 2
05/10/2020	07/10/2020	28 January 2021	29 July 2021
12/10/2020	14/10/2020		
19/10/2020	21/10/2020	29 April 2021	
26/10/2020	28/10/2020		
02/11/2020	04/11/2020	25 February 2021	30 August 2021
09/11/2020	11/11/2020		
16/11/2020	18/11/2020	30 March 2021	
23/11/2020	25/11/2020		
30/11/2020	02/12/2020		
07/12/2020	09/12/2020	28 May 2021	
14/12/2020	16/12/2020		

Note: announcement of auction details is on the Wednesday prior to the auction date (t-5).

Economic Outlook

Dutch economy bounces back slightly

According to the latest forecasts presented by the independent Netherlands Bureau for Economic Policy Analysis (CPB) on 15 September 2020, most indicators point towards an economic recovery of the Dutch economy in the third quarter, resulting in a lower expected fall of GDP growth in 2020. However, as the development of the pandemic is still uncertain, the final effect on the economy is difficult to predict. The CPB forecasts therefore include a baseline scenario and an alternative scenario. In the baseline scenario, the Dutch economy is expected to shrink by 5% in 2020, followed by 3.5% growth in 2021. This 5% fall in GDP is less than the initial CPB estimate of -6.4% reported in DSTA's Q3 2020 quarterly outlook. However, in the alternative scenario of the CPB, where a second wave of the coronavirus hits the country and another lockdown is necessary, GDP is expected to fall by 6.1% this year and continues declining in 2021, by 2.8%.

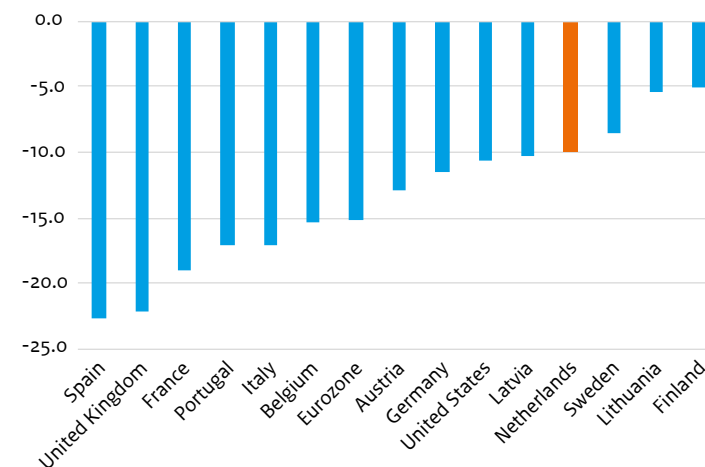
Table 1 - Key economic figures for the Netherlands – baseline scenario (% change y-o-y)

	2019	2020	2021
GDP	1.7	-5.0	3.5
Household consumption	1.5	-5.8	4.4
Government consumption	1.6	3.9	1.9
Investment (including inventories)	3.6	-8.2	6.9
Exports	2.7	-5.2	4.7
Imports	3.2	-3.6	5.8
Employment (in hours)	2.2	-3.6	1.2
Unemployment (% of labour force)	3.4	4.3	5.9
Inflation (HICP)	2.7	1.4	1.4

Source: CPB, 15 September 2020

The fall in GDP in the Netherlands is less severe than in other countries in the Eurozone (see figure 1). Overall Dutch GDP shrunk by 10% between Q4 2019 and Q2 2020, compared to a Eurozone average of 15%. This difference is likely the result of a combination of factors, including the relatively limited scope of the lockdown in the Netherlands, the Dutch economy being less dependent on tourism and production of durable consumption goods and the size and swift execution of the government's policy response. Moreover, companies and organizations were relatively well prepared to 'work from home' and to switch to online-retail activities, due to the high level of digitalization of the Dutch economy. Last, the Dutch budget and government debt were able to absorb a significant part of the income and liquidity shock that households and firms faced in the last months.

Figure 1 – % change in the volume of GDP of Q4 2019 relative to Q2 2020 for various Eurozone countries



Source: CPB, 15 September 2020

Delayed effects on unemployment

The Dutch government has had an essential role in combating the adverse economic effects of the coronavirus. Initial support measures included a wage cost subsidy scheme, social assistance for the self-employed, temporary financial support for small and medium size enterprises and increased government guarantees on bank loans. This August, the government decided to continue several of these support measures, under slightly changed conditions, in a new support and recovery scheme starting 1 October 2020. This scheme runs until July 2021 and its aim is threefold: support, adjustment and investments. By shifting to a more long term perspective, the government intends to encourage and facilitate the adjustment of companies and the labour market to the new economic situation. These measures as well as the automatic stabilizers helped mitigate the initial spike in unemployment and number of bankruptcies. Unemployment is projected to increase less quickly in 2020 than initially expected in the Q3 outlook (4.3% compared to 4.8%). Due to the lag between GDP growth and unemployment, the CPB expects however the latter to rise significantly to 5.9% in 2021, most of which is attributed to younger people and workers with flexible labour contracts.

Turbulence from abroad

According to the CPB, global GDP is expected to fall by 5% in 2020 due to the various measures taken in response to COVID-19. In 2021, the global economy is expected to partially recover and grow by 5%. The United Kingdom leaving the EU without a comprehensive trade agreement is a source of downward risk to both global and Dutch economic growth. In the aforementioned baseline scenario, the CPB expects exports and imports to grow with 4.7% and 5.8%, respectively, in 2021. However, this scenario assumes that Brexit follows a smooth transition at the end of 2020, negotiating a deal with the EU. A no-deal Brexit will have relatively strong adverse effects on the Dutch economy as the UK is the second most important trading partner for the Netherlands. Current estimates are that a no-deal exit would cause Dutch exports to decrease by 2% and GDP by 0.6%. Furthermore, the US elections and the future trade relationship between the US and China can also pose a downward risk to the economy's trading position. However, these effects can be (partly) mitigated if Dutch trade activities are shifted to other EU-countries.

Budgetary Outlook

Dutch National Growth Fund

On 7 September 2020, the Dutch government launched the so called 'National Growth Fund'. Purpose of the fund is to ensure and support economic growth for future generations in the Netherlands. Over the next five years, a total of € 20 billion will become available for public investments in three main categories: knowledge development, physical infrastructure, and research, innovation and development. An independent committee has been established to assess each investment proposal in order to ensure an objective allocation of means, in line with the purpose of the fund. After five years, the fund will be evaluated and could be extended.

Considering the current state of the economy, the government decided against budget-cuts to finance the fund. Instead, government expenditures will increase and the necessary funding will be gradually borrowed on the capital markets tapping into the "triple A" borrower status of the Netherlands and current low interest rate environment.

Rising budget deficit

The government presented its Budget Memorandum for 2021 on 15 September. This Budget Memorandum projects an EMU deficit of -7.2% for 2020, which is a deterioration of 7.4%-point compared to the expected 0.2% surplus EMU-balance reported in the DSTA's annual outlook of 2020. This deterioration is largely due to aforementioned generous economic support measures implemented by the government in response to COVID-19, as well as lower tax revenues and higher unemployment benefits. This 2020 EMU-balance is the highest post-war change in budget deficit of the Netherlands. Although the EMU balance is expected to improve slightly in 2021 as a result of automatic stabilizers and the accommodative fiscal policy, it still remains negative at -5.5% (see table 2).

Table 2 - Key budgetary figures for the Netherlands (% of GDP)

	2019	2020	2021
EMU-balance	1.7	-7.2	-5.5
EMU-debt (year-end)	48.7	59.1	61.1

Source: Government Budget Memorandum, 15 September 2020

EMU-debt is expected to amount to 59.1% of GDP in 2020, as a result of not only increased expenditures and delayed tax revenues but also the denominator effect due to a loss of GDP. Despite the expected budget deficit of -5.5 in 2021, a further increase of the EMU-debt ratio in 2021 is expected to be limited, amounting to 61.1%. Similar developments are taking place in other Eurozone countries. The European Commission, together with the EU Member States, have decided to temporarily activate the so called budgetary escape clause, exceptionally and temporarily providing more flexibility in the European budgetary rules. Also, solid economic and budgetary policy in the Netherlands over the past years have ensured that Dutch public finances are well placed to absorb these exceptional shocks.

Outstanding debt

DSL position ultimo August 2020

Isincode	DSL	Amount in euros
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	16,614,051,000
NL0015031501	0.00 pct DSL 2020 due 15 January 2027	9,144,000,000
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	12,215,587,000
NL0014555419	0.00 pct DSL 2020 due 15 July 2030	14,038,462,000
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*	8,993,004,000
NL0009446418	3.75 pct DSL 2010 due 15 January 2042	16,063,910,000
NL0010721999	2.75 pct DSL 2014 due 15 January 2047	16,540,187,000
	Inscription registers	12,116,747
	Private placements	321,068,683
	Total	288,725,658,397

* Green bond

CP position ultimo August 2020

Currency	Amount in original currency	Amount in euros
EUR	300,000,000	275,415,605
USD	2,250,000,000	2,250,000,000
Total		2,525,415,605

DTC position ultimo August 2020

Isincode	Maturity date	Amount in euros
NL0014787046	DTC 2020-09-29	7,060,000,000
NL0014832073	DTC 2021-01-28	7,760,000,000
NL0014858250	DTC 2021-04-29	6,780,000,000
NL0014913295	DTC 2020-10-29	7,010,000,000
NL0014926388	DTC 2021-02-25	6,530,000,000
NL0015031527	DTC 2021-05-28	6,420,000,000
NL0015041583	DTC 2020-11-27	4,940,000,000
NL0015063736	DTC 2021-03-30	3,400,000,000
NL0015285826	DTC 2021-06-29	3,390,000,000
NL0015476839	DTC 2021-07-29	3,230,000,000
NL0015524117	DTC 2021-08-30	1,480,000,000
Total		58,000,000,000.00

Outstanding public debt	Amount in euros
Total outstanding DSLs, DTCs and CP	348,930,005,320
Cash collateral	10,395,101,962



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

**The cut-off date is
15 September 2020**
(unless mentioned otherwise)