



# Quarterly outlook

September 2015

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This DSTA's Quarterly outlook presents an update of the funding plan, outlines the issuance calendar for the fourth quarter, and gives a first estimate of the borrowing requirement for 2016. In addition, this publication discusses the latest economic and budgetary forecasts for the Netherlands which were released on 15 September 2015.

resulting from a possible IPO of ABN Amro later this year. A further improvement of the cash balance would lower the money market accordingly.

The call on the capital market remains fixed at approx. € 48 bn. As of 18 September, the DSTA raised a total of € 36.6 bn. on the capital market, covering approximately 76% of the total targeted capital market funding for 2015.

## Funding and issuance

### Updated funding requirement

Following the publication of the Budget Memorandum 2016 by the Minister of Finance on 15 September, the total borrowing requirement for 2015 has been updated. Buy-backs of Dutch State Loans (DSLs) maturing in 2016 and 2017 have increased the borrowing requirement; however, this is partly offset by a lower expected budget deficit (in cash terms). The borrowing requirement for the current year is only slightly higher than the previous estimate, at € 94.9 bn.

### Issuance calendar Q4

In the fourth quarter, four tap auctions are planned.

The 3- and 10-year benchmark bonds will both be tapped to reach outstanding amounts of at least € 15 bn. by the end of the year. In addition, two off-the-run DSLs will be tapped. The specific DSLs will be announced on the Wednesday prior to the auction. Traditionally, December is an auction-free month for DSLs. The target amounts for each auction are shown in the table below.

Borrowing requirement (€ bn)	Update	Previous
Capital market redemptions 2015	39.5	39.5
Buy-backs 2016 & 2017	3.8*	2.3
Money market ultimo 2014**	43.1	43.1
Cash deficit	8.5	9.5
<b>Total funding requirement</b>	<b>94.9</b>	<b>94.4</b>

Auction date	Details	Amount (€ bn)
13 October	Reopening 10-year DSL 2025	1.0 – 2.0
27 October	Reopening off-the-run DSLs	1.5 – 2.5
10 November	Reopening 3-year DSL 2018	2.0 – 3.0
24 November	Reopening 10-year DSL 2025	1.0 – 2.0

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

Funding (€ bn)	Update	Previous
Capital market	48	48
Money market ultimo 2015**	46.9	46.4
<b>Total funding</b>	<b>94.9</b>	<b>94.4</b>

The fourth quarter has six auctions in total for Dutch Treasury Certificates (DTCs). As every year, in December the auctions of DTCs will be held on the first and second Monday of the month, instead of the regular first and third Monday of the month.

Auction date	Settlement date	Short term programme	Longer term programme
05-10-2015	07-10-2015	30-12-2015	29-02-2016
19-10-2015	21-10-2015	30-12-2015	31-03-2016
02-11-2015	04-11-2015	29-01-2016	31-03-2016
16-11-2015	18-11-2015	29-01-2016	29-04-2016
07-12-2015	09-12-2015	29-02-2016	29-04-2016
14-12-2015	16-12-2015	29-02-2016	31-05-2016

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

\* buybacks until end of August 2015  
\*\* including cash collateral

The small increase in the borrowing requirement will be accommodated through the money market, which serves as a buffer for changes in the borrowing need throughout the year. The estimate for the cash deficit for 2015 excludes any receipts

### First estimate of funding need in 2016

Based on the Budget Memorandum 2016, the first estimate of the DSTA's funding need for 2016 equals approximately € 84 bn. This is lower than the borrowing requirement in 2015. The difference can mainly be explained by lower redemptions on the capital market. The estimate of the money market ultimo 2015 and of the cash balance in 2016 both exclude receipts related to the possible sale of ABN Amro. An updated estimate of the borrowing requirement in 2016 will be published in the Outlook 2016, together with the funding plan for the coming year.

Borrowing requirement 2016, first estimate	(€ bn)
Capital market redemptions 2016	28.3
Money market ultimo 2015*	46.9
Cash deficit	8.5
<b>Total funding requirement</b>	<b>83.7</b>

\*including cash collateral

## Economic outlook

The latest economic forecasts show robust growth for the Dutch economy in 2015 and 2016. GDP growth will be 2.0% this year, accelerating to 2.4% in 2016, according to projections published on 15 September by the independent Netherlands Bureau for Economic Policy Analysis (CPB). The government's decision to limit gas production leads to a one-off reduction in GDP by 0.5%-points this year, but overall growth is unchanged compared to the June forecast. Next year's figure represents an upward revision of 0.3%-points compared to June, partly due to a € 5 billion tax relief package that will increase real disposable income. Unemployment will continue its downward trend, falling from a post-crisis high of 7.4% of the labour force in 2014 to 6.9% this year and 6.7% in 2016.

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

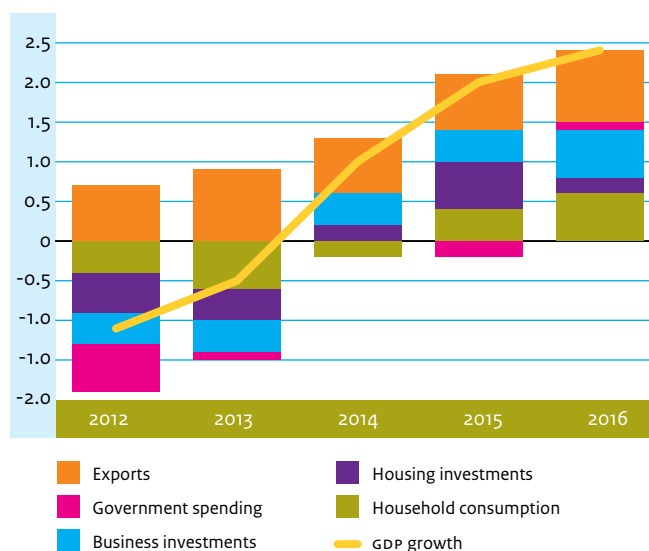
	2014	2015	2016
GDP	1.0	2.0	2.4
Household consumption	0.0	1.6	1.9
Government consumption	0.3	-0.4	0.8
Investment (including inventories)	2.7	6.5	6.0
Exports	4.0	3.7	5.1
Imports	4.0	4.1	5.7
Employment (labour years)	0.1	0.9	1.3
Unemployment (% labour force)	7.4	6.9	6.7
Inflation (HICP)	0.3	0.5	1.1

Source: CPB, 15 September 2015

### Balanced growth continues

An important feature of the current economic recovery has been the balanced contribution of both the internal and external sectors. Net export growth remained positive throughout the crisis and will also contribute to growth this year and next. Important drivers are the strong economy in the United States and the United Kingdom and continued economic improvement in the euro area, coupled with a weaker euro. The marked slowdown in world trade in the first half of 2015, concentrated in Asia and Latin America, has not had a noticeable effect on Dutch export performance. Relevant world trade is expected to accelerate to 5.4% next year, a significant increase from the projected 2.8% for 2015. Uncertainty about the development of world trade, particularly due to the economic situation in China, is larger than usual and represents a significant downside risk to the forecast, according to the CPB.

### Domestic demand important driver behind growth performance in %



Source: CPB, 15 September 2015

### Further pick-up of household consumption

In 2015, domestic demand has become the strongest driver of Dutch economic performance and this development is set to continue in 2016. This change is exemplified by the development of household consumption. After a few years of negative growth, 2014 saw a turnaround on the back of an improvement in real disposable income and the recovery of the housing market. Both factors continue to have a positive impact this year and next. Real disposable income growth in 2015 (1.4%) is mainly supported by moderate wage increases in combination with low inflation, whereas the projection for 2016 (1.7%) is partly underpinned by significant tax decreases the government presented in its budget for 2016, which was also published on 15 September.

### Business investment buoyant

Business investments (excluding housing), which make up the majority of total investments, increase by 6.8% and 6.9% in 2015 and 2016 respectively. Industrial production has shown an average annual increase of 2% since mid-2013. As a result, producer confidence has risen steadily and is now above its long-term average. Importantly, capacity utilisation has risen sharply as well, which implies extra investments are necessary to meet increased demand. Improved margins are a further sign of improved economic prospects. Due to the weak labour market, firms have faced moderate wage increases and were able to significantly lower unit labour costs. The resulting lower prices were only partly passed on to end-buyers, improving business profitability.

### Strong recovery housing market

As mentioned above, the housing market continues to improve. Annual growth remains very modest, but prices have risen continuously for the last year and a half. For the first time since the beginning of the crisis, house price increases will outpace inflation. More spectacular has been the improvement in the number of transactions. These have increased by 39% in 2014 and by a further 20% (y-o-y) in the first half of 2015. Whereas prices are still significantly below pre-crisis levels, the number of transactions is expected to return to this level in the course of 2016. The improved market is reflected in higher investment in new housing. In addition, consumption is pushed up through the wealth effect of higher prices. The CPB considers stronger than projected improvements in the number of transactions and prices as the most important upward risks to the forecast.

### Gradual improvement labour market

As is common in an economic recovery, the labour market is lagging behind somewhat. This is partly explained by the behaviour of firms, where hiring typically will only pick up once internal slack has been used up completely. In the Dutch case, this has been exacerbated by a declining workforce in the government and health care sectors. Moreover, labour supply will increase both this year and next. In time this will contribute positively to growth, but will negatively affect the unemployment rate in the short term. Notwithstanding these mitigating factors, unemployment is expected to drop by 0.5%-point this year, to 6.9%, and further to 6.7% in 2016. These figures are well below the euro area average.

## Save the date!

Launch of the DSTA's Outlook 2016

3 December 2015

Invitations will be sent out in early November.

## Budgetary outlook

This year's Budget Memorandum was presented to Parliament on 15 September. Budgetary figures for the Netherlands show a continued improvement, albeit at a somewhat slower pace than projected before the summer. This difference is most pronounced for 2016. Even though higher economic growth will lead to higher tax revenues, the resulting improvement is countered by two main factors. Firstly, the government's decision to limit gas production not only in 2015, but in 2016 as well, will negatively affect the 2016 budget deficit by 0.5%-points of GDP compared to earlier estimates. Secondly, in 2016 the government will implement a tax relief package, including a number of simplifications of the tax regime, for a total of € 5 billion (0.7% of GDP). According to the CPB, the tax changes will result in an increase of long-term structural employment by 35,000, or 0.5%.

### Budget balance continues to improve

Overall, government finances show a significant improvement. The EMU-balance moves gradually but steadily towards budgetary balance. As government expenditure is kept in check next year, the improvement in 2016 is largely driven by higher tax revenues directly resulting from the strong growth performance, even after taking into account the aforementioned tax relief package.

### Key budgetary figures for the Netherlands (% of GDP)

	2014	2015	2016
EMU-balance	-2.4	-2.2	-1.5
EMU-debt (year-end)	67.9	67.2	66.2

Source: Budget Memorandum 15 September 2015

### Debt ratio on a downward path

Last year's budget predicted a slight increase in the EMU debt to GDP ratio this year and next, but current projections show that the ratio peaked in 2014. Mainly as a result of strong GDP growth and declining deficits, debt will be at 66.2% of GDP in 2016, 4%-points lower than the forecast a year ago.

The current projection shows a 1%-point drop between 2015 and 2016. A significant part (0.7%-points) is explained by the fact that GDP growth will be larger than the EMU deficit. A number of smaller factors have a further (net) downward effect on the debt ratio, including net income on interest rate derivatives of 0.2%-points. Importantly, the presented figures on debt to GDP do not yet include any proceeds of the planned sale of ABN Amro.

## Outstanding debt

### DSL position per ultimo August 2015

Isin code	DSL	Volume in issue
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	13,753,000,000
NL0000102283	4.00 pct DSL 2006 due 15 July 2016	14,350,467,000
NL0009819671	2.50 pct DSL 2011 due 15 January 2017	14,568,920,000
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	14,346,000,000
NL0006007239	4.50 pct DSL 2007 due 15 July 2017	14,489,990,000
NL0010200606	1.25 pct DSL 2012 due 15 January 2018	15,472,425,000
NL0011005137	0.00 pct DSL 2015 due 15 April 2018	9,633,000,000
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	14,056,398,000
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	11,382,212,000
NL0000102077	7.50 pct DSL 1993 due 15 January 2023	2,687,276,737
NL0010418810	1.75 pct DSL 2013 due 15 July 2023	15,825,963,000
NL0010733424	2.00 pct DSL 2014 due 15 July 2024	15,315,132,000
NL0011220108	0.25 pct DSL 2015 due 15 July 2025	11,772,159,000
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	15,331,910,000
NL0010721999	2.75 pct DSL 2014 due 15 January 2047	9,133,187,000
	Inscription registers	13,995,257
	Private placements	4,379,844,761
<b>Total</b>		<b>331,127,537,511</b>

### ECP per ultimo August 2015

Currency	Volume (original currency)	Volume in euros
ECP in euro	-	-
ECP in US dollar	5,345,000,000	4,763,558,914
ECP in CHF	43,000,000	39,674,558
ECP in NOK	2,410,000,000	263,627,613
<b>Total</b>		<b>5,066,861,085</b>

### DTC per ultimo August 2015

Isin code	Maturity date	Volume in issue
NL0011278460	DTC 2015-10-30	5,580,000,000
NL0011323415	DTC 2015-11-30	2,890,000,000
NL0011333786	DTC 2015-12-30	2,620,000,000
NL0011376223	DTC 2016-01-29	1,200,000,000
<b>Total</b>		<b>12,290,000,000</b>

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

The cut-off date is 15 September 2015 (unless mentioned otherwise)

#### Colophon

Design Studio Tint, The Hague