

Key messages:

- The growth of the Dutch economy peaks in 2017 with 3.3% and continues in 2018.
- The budget surplus is projected at 0.6% in 2017 and 2018
- The Dutch Government debt will decrease to 46% of GDP in 2021.
- Conclusion of the Advisory Division of the Council of State based on the CPB projections: public finances are expected to comply with European fiscal rules in the period 2018-2021.

Macroeconomic outlook

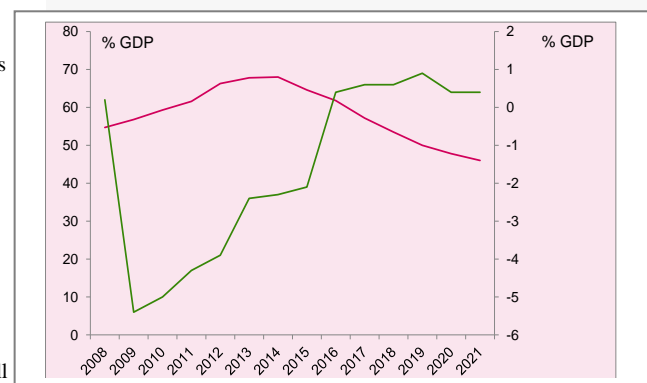
Dutch economic growth peaks at 3.3% in 2017 and the vigorous growth continues in 2018 at 3.1%. This growth is mainly driven by consumption and exports. Economic growth is supported by all expenditure categories and coupled with increases in employment in both the market and public sector. In 2017 unemployment is projected to be 4.9% of the labour force, and gradually declining to 3.9% in 2018. Inflation will reach 1.6% in 2017, and will increase to 1.6% the following year. With employment outpacing labour supply growth, contract wages will rise, reflecting tighter labour market condition and higher inflation.

Short-term fiscal outlook

The general government budget surplus in 2017 and 2018 is estimated at 0.6% GDP. This is due to the continued economic growth, which on the one hand reduces unemployment benefit payments and on the other hand increases tax revenues. The budget surplus also increases because of declining interest rate expenditures.

Medium-term fiscal outlook

The Dutch economy will grow with 2.0% on average in the period 2018-2021. Employment grows at 1.0% per year in this period, while labour supply will lag behind. Unemployment will stabilize at 4.1%. Interest rates and inflation will increase gradually to 1.8% and 2.1%, respectively. The government budget balance will show a surplus of 0.4% in 2021, whilst government debt will decrease to 46% of GDP.



Short term outlook

	2015	2016	2017	2018f
Relevant world trade volume goods and services (% per year)	3,8	3,6	4,3	4,0
Long term interest rate the Netherlands (level in %; end of period)	0,7	0,3	0,6	0,8
Gross Domestic Product (GDP, economic growth)	2,3	2,2	3,3	3,1
Government consumption (% GDP)	-0,2	1,2	0,5	3,2
Inflation (HCIP)	0,2	0,1	1,3	1,6
Unemployed labour force (in % of labour force; end of period)	1,0	1,3	2,0	2,1
General government budget balance (% GDP; end of period)	-2,1	0,4	0,6	0,6
Gross public debt (% GDP; end of period)	64,6	61,8	57,2	53,5

Fiscal framework and national fiscal rules

Based on projections by the CPB, the Advisory Division concludes that public finances are expected to comply with European fiscal rules in the period 2018-2021. When choosing a medium-term target for the budget balance, the volatile nature of Dutch public finances as well as sustainability balance of -0.4% of GDP in the long-term, argue for keeping sufficient distance in respect of the medium-term objective ensuing from the European fiscal rules.

Medium-term outlook

	2006-2013	2014-2017	2018-2021
Relevant world trade volume goods and services (% per year)	3,3	4,0	4,4
Long term interest rate the Netherlands (level in %; end of period)	2,0	0,6	1,8
Gross Domestic Product (GDP, economic growth)	0,8	2,3	2,0
Government consumption (% GDP)	2,4	0,4	2,4
Inflation (HCIP)	1,9	0,5	2,1
Unemployed labour force (in % of labour force; end of period)	7,3	4,9	4,1
General government budget balance (% GDP; end of period)	-2,4	0,6	0,4
Gross public debt (% GDP; end of period)	67,7	57,2	46,0

Sources:

CPB, Analysis economic and budgetary effects of the financial appendix to the Coalition Agreement, CPB Communication, October 4, 2017

CPB, Actualization of medium term review of the state of the economy, due to the Coalition Agreement, CPB Communication, October 27, 2017

Advisory Division of the Council of State, letter to cabinet, November 3, 2017