Dutch State Treasury Agency
Ministry of Finance

Quarterly outlook

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This DSTA's Quarterly outlook presents the issuance calendar for the third quarter and contains information about the ongoing DSL buy-back programme and the ECB's quantitative easing programme. Moreover, this outlook discusses the latest economic and budgetary forecasts for the Netherlands.

Funding and issuance

Updated funding plan

Following the Spring Memorandum published by the Dutch government on 1 June 2015, the total borrowing requirement for 2015 has been updated. The reduction in the expected cash deficit in 2015 has reduced the borrowing requirement by € 2.7 billion. However, this decrease is largely offset by the amount of DSLs maturing in 2016 and 2017 which the DSTA has bought back up untill the end of May. The current borrowing requirement is therefore only slightly lower than the previous estimate, at € 94.4 billion. The DSTA will continue its buy-back programme into the remainder of 2015; more information regarding the buy-back programme can be found elsewhere in this publication. The next update of the borrowing requirement will be provided in September after publication of next year's Budget Memorandum.

Borrowing requirement (€ bn)	Update	Previous
Capital market redemptions 2015	39.5	39.5
Buy-backs 2016 & 2017 (up to May)	2.3	0
Money market ultimo 2014*	43.1	43.1
Cash deficit	9.5	12.2
Total funding need	**94.4**	**94.8**
- Capital market funding	48	48
- Money market funding*	46.4	46.8

*including cash collateral

The small decrease in the funding need will be accommodated by slightly lowering the call on the money market, which serves as a buffer to absorb adjustments in the financing need throughout the year. The level of capital market funding remains fixed at approximately € 48 billion. Currently, a total of € 29.6 billion has been issued, covering more than 60% of total targeted capital market funding in 2015. Due to a relatively large amount of cash collateral received by the DSTA, the issuance of regular money market instruments, Dutch Treasury Certificates (DTCs) and Commercial Paper (CP), has been smaller than in previous years. At the same time, the DSTA remains committed to a liquid market for DTCs, and aims to issue CP as frequently as possible.

Issuance calendar Q3

In the third quarter, the new 3-year, 5-year, 10- year and 30-year DSL will all be reopened once.

The tap auctions are planned for a total amount of approximately € 8 billion. Traditionally there is no DSL issuance in August. This results in the issuance calendar below.

Auction date	Details	Amount (€ bn)
14 July	Reopening 10-year DSL 2025	1.5 - 2.5
28 July	Reopening 5-year DSL 2020	1.5 - 2.5
8 September	Reopening 30-year DSL 2047	0.5 - 1.5
22 September	Reopening 3-year DSL 2018	2.5 - 3.5

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

Since 2012, the DSTA has the opportunity to deviate from its 7-year benchmark portfolio by not swapping back issuances of longer-dated bonds, such as the DSL 2047. In this way, the DSTA locks in relatively low interest rates for a longer period of time. By doing so, the DSTA has managed to increase the average maturity of its portfolio (debt plus swaps) from around 3.5 years to approximately 4.5 years. The average length of the portfolio is further increased by the decision to unwind, on an ad-hoc basis, long-dated receiver swaps. By unwinding in-the-money swaps, the debt ratio has been brought down by approximately 0.25% of GDP.

In the last quarterly outlook the DSTA announced there will be no September DTC programme. In the issuance calendar, as shown below, this results in two dates where only the longer term programme will be issued.

Auction date	Settlement date	Short term programme	Longer term programme
06-07-2015	08-07-2015	-	30-11-2015
20-07-2015	22-07-2015	-	30-12-2015
03-08-2015	05-08-2015	30-10-2015	30-12-2015
17-08-2015	19-08-2015	30-10-2015	29-01-2016
07-09-2015	09-09-2015	30-11-2015	29-01-2016
21-09-2015	23-09-2015	30-11-2015	29-02-2016

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

DSTA buy-back programme extended

The buy-back programme intends to improve cash management by reducing surplus cash positions and redemption peaks. On 23 April, the DSTA announced that the eligibility of DSLs included in the programme was extended to DSLs maturing within 24 months. Buy-backs are not executed through pre-announced auctions. Instead, the DSTA determines on a day-by-day basis whether it will buy-back its DSLs. Buy-backs always take place through one of the Primary Dealers. DSLs that are bought back will be cancelled immediately thereafter. To ensure sufficient liquidity, the outstanding amount of every DSL will remain at least € 10 billion.

Buy-backs up until the end of May 2015 (€ mn)

	DSL 3.25 % 15 July 2015	DSL 0 % 15 April 2016	DSL 4% 15 July 2016	DSL 2.5 % 15 January 2017	DSL 0.5 % 15 April 2017
Total issued	15, 110	15,238	14,728	15,639	15,036
Total bought back ultimo May 2015	3,040	1,485	378	365	75
Amount outstanding	12,070	13,753	14,350	15,274	14,961

Quantitative easing

On 9 March, the European Central Bank (ECB) started its Public Sector Purchase Programme (PSPP). With a capital key of 5.7% for the Netherlands, the ECB will buy approximately € 45 billion in Dutch securities in total. The ECB announced that it will include both DSLs and securities from three Dutch eligible agencies (BNG, NWB, FMO) in the PSPP. In the period until the end of May a total of € 7.7 bn in Dutch securities has been bought. Even though the effects of the ECB buying programme on liquidity for DSLs remain fairly muted, the DSTA is closely monitoring the programme's impact on the market for DSLs. The DSTA is strongly committed to maintaining a liquid and high-quality market for DSLs.

Economic outlook

The Dutch economy continues to gather pace in 2015. The most recent projections of the Netherlands Bureau for Economic Policy Analysis (CPB) show that economic growth will increase to 2% in 2015 and 2.1% in 2016. This is an upward revision of 0.3%-points for both years compared to the March forecast. The CPB expects that the level of real GDP will return to the pre-crisis level of 2008 by the end of this year.

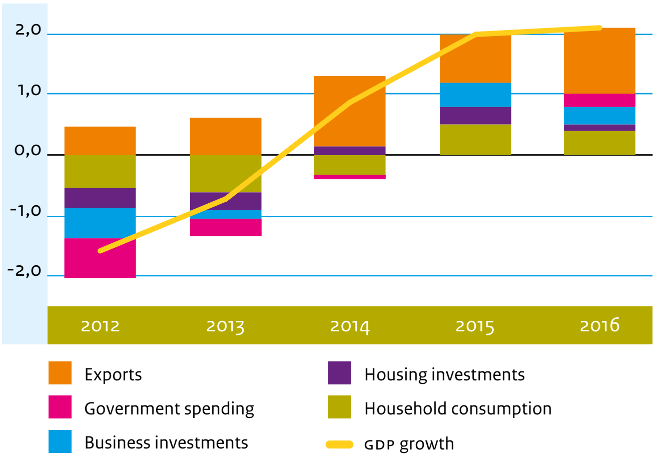
Key economic figures for the Netherlands (% change y-o-y)

	2015	2016
GDP	2.0	2.1
Household consumption	1.8	1.6
Investment (including inventories)	4.8	4.5
Government expenditure	0.1	0.9
Exports	3.0	5.2
Imports	3.0	5.6
Employment (labour years)	0.9	1.5
Unemployment (% labour force)	7.0	6.7
Inflation (HICP)	0.2	1.2

Source: CPB, 10 June 2015

The growth improvement is predominantly driven by exports, household consumption and investments. Compared to the previous forecast, the CPB reports a downward adjustment of international trade growth in the last two quarters, which has led to a lower contribution of net exports to growth in 2015. Nevertheless, international trade is still growing at a healthy pace which benefits the highly competitive Dutch export sector. A weaker euro against the dollar provides additional support resulting in a total expected export growth of 5.2% in 2016.

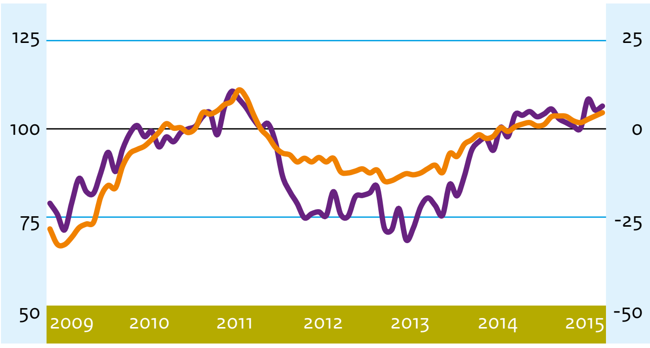
Balanced growth with more support from household consumption and corporate investments (%-points of GDP)



Source: CPB, 10 June 2015

The lower contribution of exports while total growth is increasing implies that the recovery is becoming more broadly based. The support of growth from household consumption is a particularly positive development. This turnaround can partly be explained by an increase in real disposable income and a resulting increase in purchasing power (+1% in 2015). Additionally, the outlook of consumers is becoming increasingly positive which is reflected in higher consumer confidence indicators.

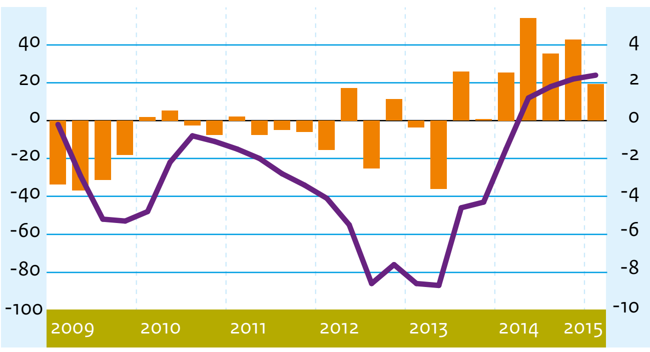
Economic sentiment and consumer confidence indicators above long term averages



Source: European Commission, May 2015

The improvement in consumer sentiment is backed by a solid recovery in the housing market. Both transaction volumes and prices have continued to rise in the first quarter of 2015. The pick-up in housing transactions also positively reflects on investments. Residential investments are projected to contribute more to growth over the course of 2015, according to the CPB. Additionally, corporate investments show a strong recovery. Companies are benefitting from low energy prices which enables them to reduce production costs and increase total profitability. Both the improvement in the housing market and overall investments are supported by the current low interest rate environment.

Housing market continues to lift up



Source: Statistics Netherlands, May 2015

As for the labour market , the increase in demand for labour leads to a decline of the unemployment rate from to 7.4% of the labour force in 2014 to 6.7% in 2016 . The decline in unemployment is tempered by an increase of people entering the labour market. Nevertheless, the figures are better by an average of 0.25%-point when compared to the March forecast.

Budgetary outlook

After a spike in government expenditures early in the crisis, the Dutch EMU-deficit has steadily decreased since 2009. Looking ahead, the most recent projections of the CPB show a further reduction of the EMU-deficit to 1.9% of GDP in 2015 and to 0.8% of GDP next year. This is a reflection of the structural measures the government has taken in recent years to achieve fiscal consolidation. Spending on social security and public health care in 2015 will turn out lower than previously forecasted. Additionally, the current low interest rate environment allows the Dutch government to spend less on its interest payments, reducing total spending even further.

The decrease in the EMU-deficit is not only driven by lower spending, but also by higher government revenues. Higher economic growth results in higher total employment, which in turn increases tax revenue. However, the resulting improvement of the 2015 deficit is somewhat dampened by the decision of the government to decrease gas production, which reduces gas revenues. Finally, a rebate of the Dutch EU-contribution will be due next year, leading to a one-off decrease of 0.3%-points in the EMU-deficit for 2016.

The reduction of the EMU-deficit, the more positive economic outlook and the planned IPO of ABN AMRO result in a projected decrease of the debt-to-GDP ratio to 67.6% in 2015 and 65.4% in 2016. The CPB has made the technical assumption that a total of 25% of equity in ABN AMRO will be sold in 2015 and 20% will be sold in 2016.

Key budgetary figures for the Netherlands (% of GDP)

	2014	2015	2016
Nominal EMU-balance	-2.3	-1.9	-0.8
EMU-debt	68.5	67.6	65.4

Source: CPB, 10 June 2015

Outstanding debt

DSL position per ultimo May 2015

Isin code	DSL	Volume in issue
NL0000102242	3.25 pct DSL 2005 due 15 July 2015	12,069,765,000
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	15,273,920,000
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	14,961,000,000
NL0006007239	4.50 pct DSL 2007 due 15 July 2017	14,654,990,000
NL0010200606	1.25 pct DSL 2012 due 15 January 2018	15,472,425,000
NL0011005137	0.00 pct DSL 2015 due 15 April 2018	6,368,000,000
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	12,819,184,000
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	9,471,159,000
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	7,613,187,000
	Inscription registers	14,779,926
	Private placements	4,505,043,601
Total		**335,223,286,021**

ECP per ultimo May 2015

Currency	Volume (original currency)	Volume in euros
ECP in euro	-	-
ECP in foreign currencies	1,875,000,000	1,719,271,012

DTC per ultimo May 2015

Isin code	Maturity date	Volume in issue
NL0010832267	DTC 2015-06-30	6,610,000,000
NL0011131552	DTC 2015-07-31	4,350,000,000
NL0011214036	DTC 2015-08-31	2,280,000,000
NL0011278460	DTC 2015-10-30	1,470,000,000
Total		**14,710,000,000**

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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 18 June 2015 (unless mentioned otherwise)

Colophon
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