Dutch State Treasury Agency
Ministry of Finance

Quarterly outlook

June 2018
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Funding and issuance

Borrowing requirement

The DSTA recently updated its borrowing requirement, following the publication of the Spring Budget Memorandum by the Minister of Finance on 28 May 2018. The total borrowing requirement for 2018 now stands at € 52.1 bn.

Relative to the previous estimate of January the funding need is slightly higher. This is despite the fact that the budget surplus has been revised upwards; it can be attributed to buybacks of DSLs maturing in 2019 and 2020 and to a decrease in the amount of cash collateral outstanding. Both factors increase the call on the market. The budget surplus as forecasted does not take into account any possible future sales of the government's remaining shares in ABN Amro Bank. If realised, this would have a downward effect on the funding need.

Borrowing requirement 2018	(€ bn)
Capital market redemptions 2018	38.4
Money market ultimo 2017 (excl. cash collateral)	15.7
Change in cash collateral*	1.9
Cash balance 2018 (- = surplus)	-4.8
Buy-backs DSLs 2019 and 2020	0.9
Total	**52.1**

* A decrease in cash collateral is shown as a positive number because it increases the total borrowing requirement.

Fluctuations in the funding need will primarily be absorbed by changing the call on the money market. On the capital market, flexibility is possible within the communicated issuing range of € 23-29 bn. Up to and including June the DSTA has raised a nominal amount of € 14 bn on the capital market, covering approximately 48-61% of the total targeted amount for 2018.

Funding 2018	(€ bn)
Capital market issuance (DSLs) in nominal terms	23 – 29
Money market ultimo 2018 (excl. cash collateral)	23.1 – 29.1
Total	**52.1**

Primary Dealer ranking

Primary Dealers are evaluated periodically with respect to their primary market performance, based on duration-weighted issuance.

Top 5 PDs for DSLs (up to mid-June 2018)		Top 5 PDs and SMSs for DTCs (up to mid-June 2018)	
1	Jefferies	1	ING Bank
2	ABN Amro Bank	2	Nordea
3	Nordea	3	Commerzbank
4	ING Bank	4	HSBC France
5	Rabobank	5	Société Générale

Issuance calendar third quarter

Following the DDA in March and a tap in May, the DSL 2028 will be reopened for a second time in July. As usual, no DSLs will be issued in August. The DSL 2024 will be tapped for the last time on the fourth Tuesday of September to reach the committed issuance volume of at least € 15 bn.

On the second Tuesday in September, the DSTA will issue a long-dated off-the-run DSL. The exact maturity to be tapped will be decided upon after consultation with the DSTA's Primary Dealers. The announcement will be done on 5 September, the Wednesday prior to the auction date. The off-the-run issuance has been chosen to live up to DSTA's commitment to issue between € 2 and 5 bn on the long end of the curve this year, as announced in the Outlook 2018. It is expected that also in the fourth quarter the DSTA will be active at the long end of the curve by reopening a long-dated bond. The launch of a new long-dated DSL is anticipated for 2019.

DSL calendar Q3 2018

Auction date	DSL to be issued	Target volume (€ bn)
10 July	Reopening 0.75% DSL 15 July 2028	1.5 – 2.5
11 September	Reopening long-dated off-the-run DSL*	0.75 – 1.25
25 September	Reopening 0% DSL 15 January 2024	1.5 – 2.5

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

The third quarter has the regular six DTC auction dates. Following the strategy in 2017, the DSTA will not launch a December DTC-programme, which makes it possible to concentrate issuance in the remaining programmes. The quarter will start with the issuance of the January 2019 DTC-programme, making this effectively a 7-month programme.

DTC calendar Q3 2018

Auction date	Settlement date	3-month programme	6-month programme
2 July	4 July		31 January 2019
16 July	18 July	27 September 2018	
6 August	8 August		31 January 2019
20 August	22 August	31 October 2018	
3 September	5 September		28 February 2019
17 September	19 September	30 November 2018	28 February 2019

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

Economic outlook

High growth continues

The latest forecasts published on 19 June 2018 by the independent Netherlands Bureau for Economic Policy Analysis (CPB) estimate GDP growth of 2.9% in 2018 and 2.7% in 2019. GDP growth in 2018 and 2019 is slightly lower than in 2017, partly due to the reduction of natural gas extraction in the Groningen gas field which is estimated to slow down growth by 0.1%. However, these expectations still exceed the euro area average GDP growth of 2.4% in 2018 and 2.1% in 2019. The bullish forecasts in the Netherlands can be attributed to worldwide economic growth, low interest rates, expansive government spending and a vibrant housing market. These lead to an increase in all GDP components with substantial contributions from household consumption and investments. The expected purchasing power growth, together with an increase in wage rates, can be seen as the main driver of the growth in household consumption. The CPB notes that GDP growth is also positively affected by an increased economic dynamism in which the growth in employment, disposable income, consumption and investments reinforce each other. Inflation picks up to a modest 1.5% in 2018, mainly as a result of an increase in wages. Inflation is expected to increase further in 2019, to 2.3%, partly due to the increase in the low VAT rate (from 6% to 9%) and energy taxes.

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

	2017	2018	2019
GDP	3.2	2.9	2.7
Household consumption	1.9	3.1	2.5
Government consumption	1.1	3.1	2.4
Investment (including inventories)	4.8	5.6	4.2
Exports	6.1	4.3	4.6
Imports	5.4	5.4	5.2
Employment (in hours)	2.0	1.9	1.4
Unemployment (% labour force)	4.9	3.8	3.4
Inflation (HICP)	1.3	1.5	2.3

Source: CPB, 19 June 2018

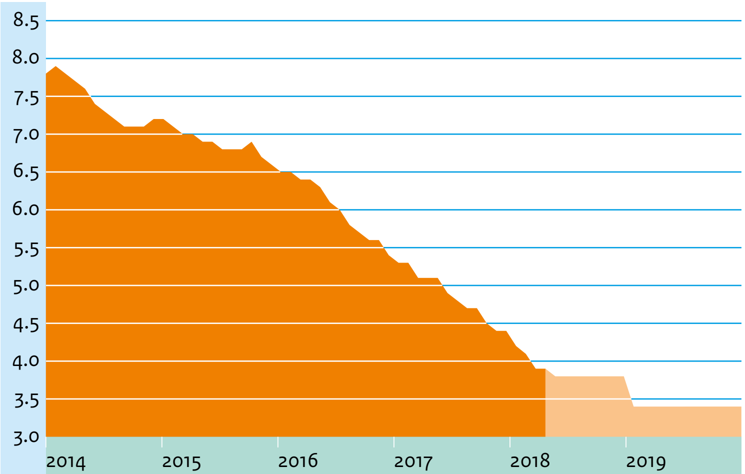
Trade growth continues despite downward risks

Dutch trade continues to grow with an estimated growth in exports of 4.3% in 2018 and 4.6% in 2019, while imports are expected to increase by 5.4% this year and 5.2% next year. However, several downward risks for global trade are identified by the CPB, which include the uncertain outcomes of the trade conflict between the United States and its trade partners, the Brexit negotiations and the unstable political situation in Italy. The effect of the trade conflict on global trade for now remains limited according to CPB, but it should be noted that further escalation can have serious consequences where it is clear that in all possible scenarios ‘everybody loses’. With regards to the Brexit the CPB forecasts assume that eventually a free trade agreement – that consists of an orderly transition period – will be reached with the EU. However, as the duration of the negotiations increases so does the uncertainty surrounding the outcome, which in turn can decrease confidence and temporarily delay economic growth.

Labour market at full pace

As employment growth is set to continue by 1.9% in 2018 and 1.4% in 2019, the unemployment rate continues to decline even further from 4.9% in 2017 to 3.8% in 2018 and 3.4% in 2019. By the end of 2019 the lowest unemployment rate level since 2001 will be reached. The increasing tightness of the labour market has various consequences. There is a shift from flexible employment contracts to more permanent contracts, there are more job vacancies and it will also prove increasingly difficult for businesses to hire employees, in particular highly-educated employees. Moreover, newly negotiated collective labour agreements show that wage rates will increase further. However, the CPB notes that the expected wage rate increase certainly cannot be seen as excessive with respect to the current conditions of the tight labour market.

Unemployment rate in 2019 to reach lowest level since 2001 (in % of the labour force)



Source: Netherlands Statistics (CBS) and Netherlands Bureau for Economic Policy Analysis (CPB)

Budgetary outlook

Budget surplus continues

The CPB projects an EMU-surplus of 0.6% in 2018 and 0.9% in 2019 respectively, which is slightly lower than the realised 1.1% budget surplus in 2017. This is because the expansive fiscal policy of the new government in 2018 and 2019 through tax reliefs and higher expenditures offsets the effects of the favourable economic environment which include higher tax revenues and lower benefits expenditures. The final EMU-balance will be affected to some extent by the reduction of natural gas extraction in the Groningen gas field (as a result of earth quake risks).

Key budgetary figures for the Netherlands (% of GDP)

	2017	2018	2019
EMU-balance	1.1	0.6	0.9
EMU-debt (year-end)	56.6	52.8	49.0

Source: CPB, 19 June 2018

Debt level to decrease further

The EMU-debt level at the end of 2017 was 56.6% of GDP, lower than the EMU-target of 60%. The debt to GDP ratio is expected to decrease further in 2018 and 2019 to respectively 52.8% and 49.0% This continued decline in the debt level can be explained by an increase in GDP, a budget surplus and income from financial transactions (i.e. the sale of state-owned enterprises). As for the latter, in the debt forecast above, a technical assumption is made by the CPB that the government will continue to gradually sell-off its remaining shares in ABN Amro Bank.

Outstanding debt

DSL position per ultimo May 2018

Isin code	DSL	Amount in euros
NL0006227316	4.00 pct DSL 2008 due 15 July 2018	12,875,020,000
NL0010514246	1.25 pct DSL 2013 due 15 January 2019	14,926,224,000
NL0009086115	4.00 pct DSL 2009 due 15 July 2019	14,238,398,000
NL0010881827	0.25 pct DSL 2014 due 15 January 2020	15,232,184,000
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
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	15,825,963,000
NL0012650469	0.00 pct DSL 2017 due 15 January 2024	10,467,277,000
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	7,649,941,000
NL0010071189	2.50 pct DSL 2012 due 15 January 2033	13,555,900,000
NL0000102234	4.00 pct DSL 2005 due 15 January 2037	14,848,427,000
NL0009446418	3.75 pct DSL 2010 due 15 January 2042	15,331,910,000
NL0010721999	2.75 pct DSL 2014 due 15 January 2047	13,248,187,000

Isin code	DSL	Amount in euros
	Inscription registers	12,373,179
	Private placements	1,102,053,712
Total		**299,637,287,858**

CP position per ultimo May 2018

	Volume (original currency)	Volume in euros
CP in US dollar	2,750,000,000	2,342,079,150
Total		**2,342,079,150**

DTC position per ultimo May 2018

Isin code	Maturity date	Amount in euros
NL0012730493	DTC 2018-06-29	3,820,000,000
NL0012757371	DTC 2018-07-31	3,810,000,000
NL0012797013	DTC 2018-08-31	2,740,000,000
NL0012840102	DTC 2018-09-27	2,900,000,000
NL0012869309	DTC 2018-10-31	2,580,000,000
Total		**15,850,000,000**

Total outstanding debt per ultimo May 2018	Amount in euros
Total outstanding	**319,572,412,827**
Cash collateral	11,212,739,962

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

The cut-off date is 19 June 2018
(unless mentioned otherwise)