



Quarterly Outlook

June 2020

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Funding and issuance

Funding need

The DSTA has updated its estimate of the funding need for 2020 following new budgetary figures presented today – 26 June 2020 – by the Dutch government. The new budgetary figures take into account the latest economic forecasts published by the Netherlands Bureau for Economic Policy Analysis (CPB) in relation to the corona crisis. Based on this new information, the funding need now stands at € 138.8 bn.

Relative to the previous estimate given at the end of April (€ 135.8 bn) the funding need is only slightly higher. The difference is due to the fact that the cash deficit has now been forecasted at € 95.1 bn, while previously an EMU-deficit of € 92 bn was used as a proxy for the cash deficit.

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 May)	-0.4
Cash deficit 2020	95.1
Buy-backs DSLs (until end of May)	-
Total	138.8

Call on the capital and money market

Fluctuations in the funding need will for a large part be absorbed by changing the call on the money market. On the capital market, the DSTA has decided to revise the minimum committed amount upwards to € 40 bn, from the previous figure of € 35 bn announced in April. However, the DSTA may well end up issuing more than € 40 bn depending on how the funding need and market conditions unfold. Thus far the DSTA has raised a nominal amount of € 25.4 bn on the capital market, covering approximately 64% of the minimum targeted amount for 2020.

DSL issuance calendar third quarter 2020

Three auctions have been scheduled for Dutch State Loans (DSLs) in the third quarter. The first auction will be held on Tuesday 14 July and concerns the 7-year DSL launched earlier this year. The other DSL auctions will be held on 8 September and 22 September. The time window for the launch of the new 30-year bond will be September/October. The exact timing will be decided in consultation with the advisors. Depending on the choice for the auction date of the new 30-year DSL, either one or two existing DSLs – which could be either on-the-run or off-the-run – will be tapped in September.

Auction date	Details	Target volume (€ bn)
14 July	Reopening 0% DSL 15 January 2027	1.5 – 3.0
8 September	New 30-year DSL / reopening of existing DSL	To be determined
22 September	New 30-year DSL / reopening of existing DSL	To be determined

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

DTC issuance calendar third quarter 2020

Auctions for Dutch Treasury Certificates (DTCs) will be held every Monday in the third quarter, with the exception of 31 August on which no auction is scheduled for now. DSTA is committed to maintain a liquid curve for maturities up to 12 months. 3- and 9-month treasury bills are issued on every first and third Monday of the month, while 6- and 12-month bills are issued on every second and fourth Monday of the month. Generally, the auctions concern a reopening of existing DTC programmes, with the exception of the fourth Monday of the month when a new 12-month programme is launched. The DSTA has the possibility to add auction dates or programmes if circumstances change.

Auction date	Settlement date	Shorter-dated programme	Longer-dated programme
06-07-2020	08-07-2020	29-09-2020	29-04-2021
13-07-2020	15-07-2020	28-01-2021	29-06-2021
20-07-2020	22-07-2020	29-10-2020	29-04-2021
27-07-2020	29-07-2020	28-01-2021	30-07-2021
03-08-2020	05-08-2020	29-10-2020	28-05-2021
10-08-2020	12-08-2020	25-02-2021	30-07-2021
17-08-2020	19-08-2020	27-11-2020	28-05-2021
24-08-2020	26-08-2020	25-02-2021	28-08-2021
07-09-2020	09-09-2020	27-11-2020	29-06-2021
14-09-2020	16-09-2020	30-03-2021	28-08-2021
21-09-2020	23-09-2020	28-01-2021	29-06-2021
28-09-2020	30-09-2020	30-03-2021	29-09-2021

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

Primary Dealer ranking

Primary Dealers (PDs) are regularly evaluated on their primary market performance. Below the top 5 is given for the first half of the year for DSLs and DTCs. The performance for DSLs is weighted by the duration of the issued bonds. The method for this weighting is published on the website of DSTA. DTC rankings are based on the unweighted purchase amounts in euro equivalent.

Top 5 PDs for DSLs (up to 24 June 2020)	DTCs (up to 24 June 2020)
ABN Amro Bank	Nordea
Jefferies	ABN Amro Bank
Citibank	Goldman Sachs
Nordea	ING Bank
Barclays	HSBC France

Economic Outlook

Uncertain impact of coronavirus

The global outbreak of the coronavirus is inflicting high human costs, and the social distancing measures to counter the pandemic are severely impacting the economy. To mitigate the economic impact of the outbreak of the coronavirus, the Dutch government launched unprecedented budgetary measures.

Examples of measures are a wage cost subsidy scheme, social assistance for the self-employed, temporary financial support for small and medium enterprises and increased government guarantees on bank loans. On top of this, there is the working of automatic stabilizers. The government continues to work on support measures while also developing a careful strategy for the next phase of the coronacrisis.

The exact economic impact of the coronavirus is uncertain and largely dependent on the further course of the pandemic and the pace of economic recovery worldwide. In order to account for the large economic uncertainty, the latest forecasts published on 16 June 2020 by the independent Netherlands Bureau for Economic Policy Analysis (CPB) consist of a baseline forecast and three alternative scenarios. Within the baseline scenario a moderate recovery is assumed throughout the Eurozone and US from Q3 2020 onwards, with the pandemic being controlled without a vaccine being present. In addition, the CPB forecasted two scenario's in which the economic recovery will be slow, with one scenarios including a second wave of corona infections and reintroduction of risk mitigation measures. Lastly, a scenario is forecasted in which a recovery will be rapid due to a reduction in social distancing measures and a fast catching up of consumer spending and business investments.

Unprecedented decline in growth

According to the CPB, social distancing measures to counter the pandemic have led to a decline in economic activity in the Netherlands between 10% and 15% between the end of February and the end of April. In the baseline scenario,

GDP is projected to decline by an unprecedented 6% in 2020, followed by a growth rate of 3.3% in 2021. The decline in growth in 2020 is caused by the downturn in the first half of 2020 and distancing measures that continuously affect the supply of certain goods and services, consumer spending and public transport capacity. Recovery is also being held back by a loss in income and jobs, although this effect is weakened by the rapid government response to counter the economic impact of social distancing measures.

In the rapid recovery scenario GDP will bounce back sooner, rising above 2019 levels at the end of 2021. At the other end of the spectrum in the second wave scenario, year-on-year GDP is expected to drop even further in 2021.

Unemployment

According to the baseline scenario, unemployment will rise to 5% in 2020 and 7% in 2021. Affected by a drop in production and the discouraged worker effect, the job market will decrease in size. Labour hoarding, supported by the wage cost subsidies and support measures for self-employed and the reluctance of employers to reduce the number of people employed - until recently employers experienced difficulties in hiring - dampen these effects somewhat. The number of hours worked will decrease 7% in 2020, followed up by a growth of 3% in 2021.

In the rapid recovery scenario, employment shifts easily between industries, limiting the rise in unemployment. In the second wave scenario, production will decrease again which will cause substantial challenges for companies that already had to dip into their financial reserves during the first outbreak. In this scenario, there will be no recovery in the job market and unemployment will rise to more than 10% in 2021.

Housing market

The housing market has barely been affected by the crisis so far. In March and April housing prices continued to rise with an increase of 7.3% in April compared to April 2019. In the baseline scenario, investments in the housing markets are expected to decrease by 6% in 2020 and 3% in 2021.

This is mostly due to delays in construction projects as procedures surrounding building permits are being slowed down by contact-limiting measures. Housing demand will decrease as unemployment rises and income growth lowers. Despite these developments, the economic consequences for the housing market are expected to be mild. The scarcity will remain, although the lower demand will probably lead to lower housing prices than without the corona outbreak.

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

	2019	2020	2021
GDP	1.8	-6.4	3.3
Household consumption	1.4	-7.3	4.0
Government consumption	1.8	1.5	3.6
Investment (including stocks)	4.7	-10.3	3.2
Exports	2.4	-10.1	5.5
Imports	3.1	-9.8	6.4
Employment (in hours)	2.0	-6.8	3.3
Unemployment (% labour force)	3.4	4.8	7.0
Inflation (HICP)	2.7	1.1	1.5

Source: CPB, 16 June 2020

Budgetary Outlook

Budgetary effects are manageable

The impact of the corona measures on the government budget is large but public finances will not enter the danger zone, partly due to the buffers built up over the last few years with consistent budget surpluses. The emergency measures and corona-related healthcare expenditures are estimated to impact the budget by € 36,8 bn. In addition, the budget will be affected by lower tax income and higher unemployment benefits related to the economic downturn. Other government expenditures that will influence the budget this year include measures related to the reduction of excess nitrogen and reforms in the tax authorities. In total, the EMU-debt is expected to increase to 63% of GDP in 2020. The EMU balance surplus of 1.7% in 2019 is expected to turn in a deficit of 8.8% of GDP in 2020.

Government debt levels increase

Government debt is expected to rise from 48.7% of GDP in 2019 to 63% of GDP in 2020. The actual debt development is surrounded by uncertainty and depends largely on the ultimate economic development. This increase is not solely caused by budgetary deficits, but also because of the drop in GDP. The rise in debt is large but the payback capacity of the Netherlands is based on strong fundamentals.

Key budgetary figures for the Netherlands (% of GDP)

	2019	2020
Nominal EMU-balance	1.7	-8.8
EMU-debt (ultimo year)	48.7	63.0

Source: Ministry of Finance, 26 June 2020

Outstanding debt

DSL position per ultimo May 2020

Isincode	DSL	Amount in euros
NL0009348242	3.50 pct DSL 2010 due 15 July 2020	14,392,615,000
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	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	4,990,000,000
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	10,811,462,000
NL0010071189	2.50 pct DSL 2012 due 15 January 2033	13,555,900,000

Isincode	DSL	Amount in euros
NL0000102234	4.00 pct DSL 2005 due 15 January 2037	15,723,427,000
NL0013552060	0.50 pct DSL 2019 due 15 January 2040*	7,359,004,000
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	12,121,875
	Private placements	344,092,896
	Total	294,126,302,738

* Green bond

CP position per ultimo May 2020

Isincode	Maturity date	Amount in euros
USD	6,025,000,000	5,537,621,765
GBP	580,000,000	658,798,718
EUR	5,780,000,000	5,780,000,000
	Total	11,976,420,483

DTC position per ultimo May 2020

Isincode	Maturity date	Amount in euros
NL0014157844	DTC 2020-06-29	4,390,000,000
NL0014270324	DTC 2020-07-30	6,050,000,000
NL0014433203	DTC 2020-08-28	5,120,000,000
NL0014787046	DTC 2020-09-29	3,690,000,000
NL0014832073	DTC 2021-01-28	2,740,000,000
NL0014858250	DTC 2021-04-29	3,240,000,000
NL0014913295	DTC 2020-10-29	3,800,000,000
NL0014926388	DTC 2021-02-25	4,000,000,000
NL0015031527	DTC 2021-05-28	2,510,000,000
Total		35,540,000,000.00

Outstanding public debt	Amount in euros
Total outstanding DSLs, DTCs and CP in bln	341,298,630,325
Cash collateral	10,437,997,797

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

The cut-off date is
16 June 2020
(unless mentioned otherwise)