



Dutch State Treasury Agency  
*Ministry of Finance*

# Investor Presentation Dutch State Loan DSL 2034

Dutch Direct Auction (DDA) on 6 February 2024  
by the Dutch State Treasury Agency

Last updated on 29 January 2024





# Contents

1. Introduction and DDA details	3
2. Economic Outlook	6
3. Budgetary Outlook	18
4. Climate Outlook	22
5. Funding and issuance	26
6. Auction details	33
7. Supplement: The DDA explained	36





# Auction details







# Details new 10-year Dutch State Loan

Details new DSL 2034	
Auction date	Tuesday 6 February 2024, start 10:00 CET
Maturity date	15 July 2034
Reference bond	DBR 2.20% 15 February 2034
Target volume	€ 4 – € 6 billion
Pricing	Aim to price on the auction date, but no later than 12:00 CET on 7 February 2024
Settlement date	Two days after the issuance price is set
Coupon	To be announced on Friday 2 February 2024
Initial spread guidance	To be announced on Monday 5 February 2024
Country ratings	Aaa/AAA/AAA



# Time schedule DDA of 10-year DSL

- > Book opens **10:00 CET on Tuesday 6 February 2024**
- > Final spread guidance will be announced **no later than 15:00 CET on the auction day**
- > Book closes **at the latest 17:00 CET on the auction day**
- > Allocation communicated as soon as possible after closing the book; **preferably on the auction day but no later than 09:00 CET the following business day**
- > Pricing from 30 minutes after allocation and preferably on the auction day itself; **but no later than 12:00 CET the following business day**
- > The DSTA is committed to increase the outstanding volume of this bond to a minimum of around € 12 billion by the end of the year.



# Economic Outlook





# Economic outlook

*Growth forecast to pick up gradually after slowdown in 2023*

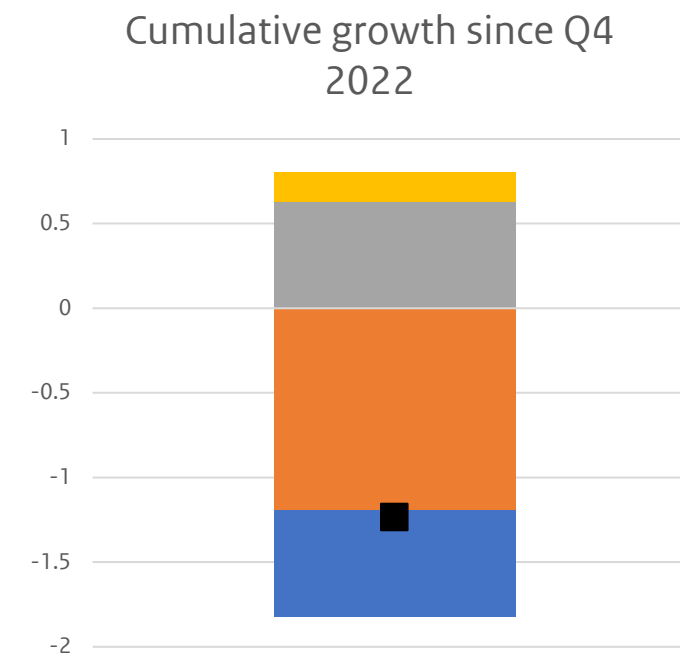
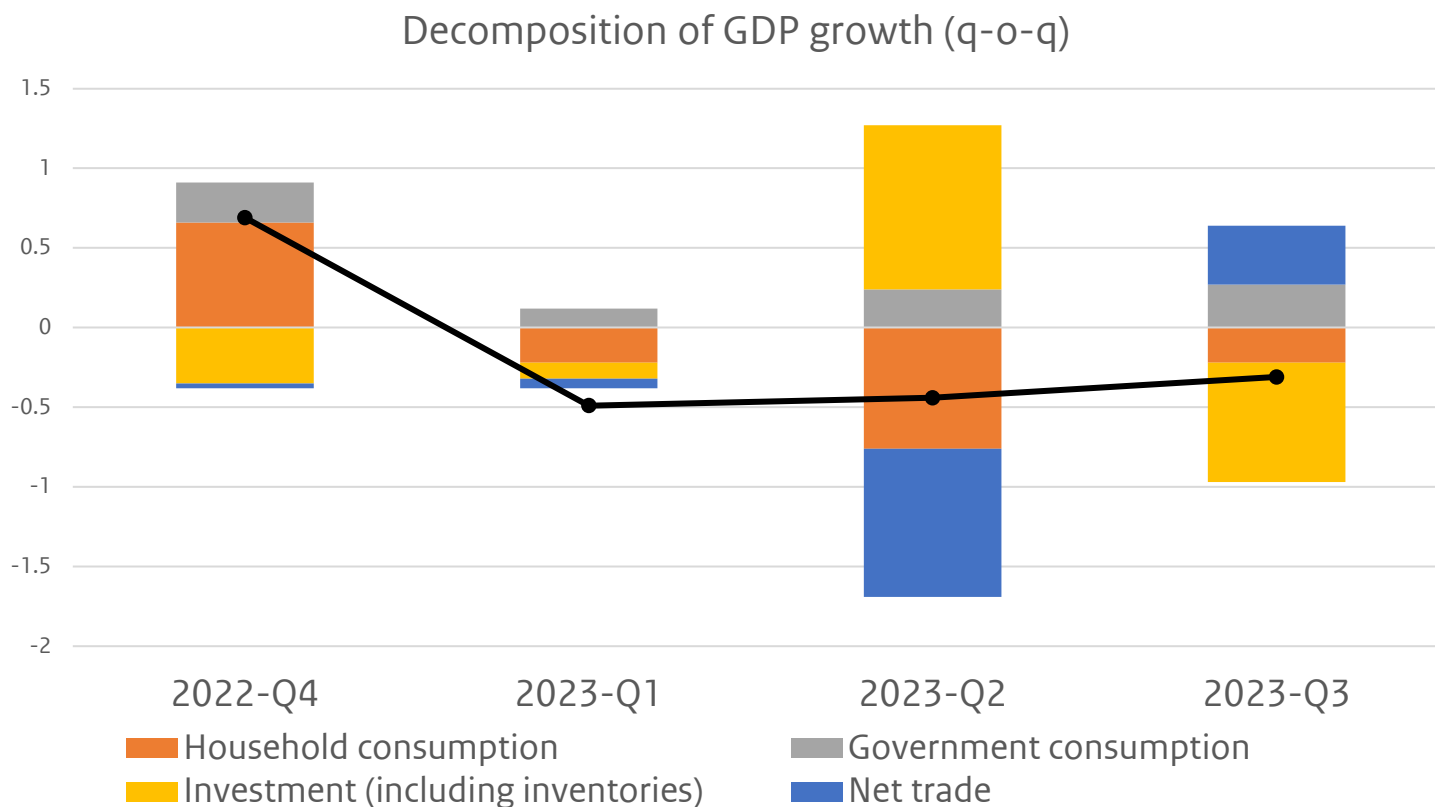
% change y-o-y	2021	2022	2023*	2024*
GDP	6.2	4.3	0.7	1.5
Household consumption	4.3	6.6	0.6	2.4
Government consumption	5.0	1.6	2.4	3.1
Investments (including inventories)	4.7	1.0	2.8	0.3
Imports	6.2	3.8	1.9	2.1
Exports	8.0	4.5	0.8	1.5

Source: CPB, September 2023





# Economic decline in 2023 driven by lower household consumption and net trade

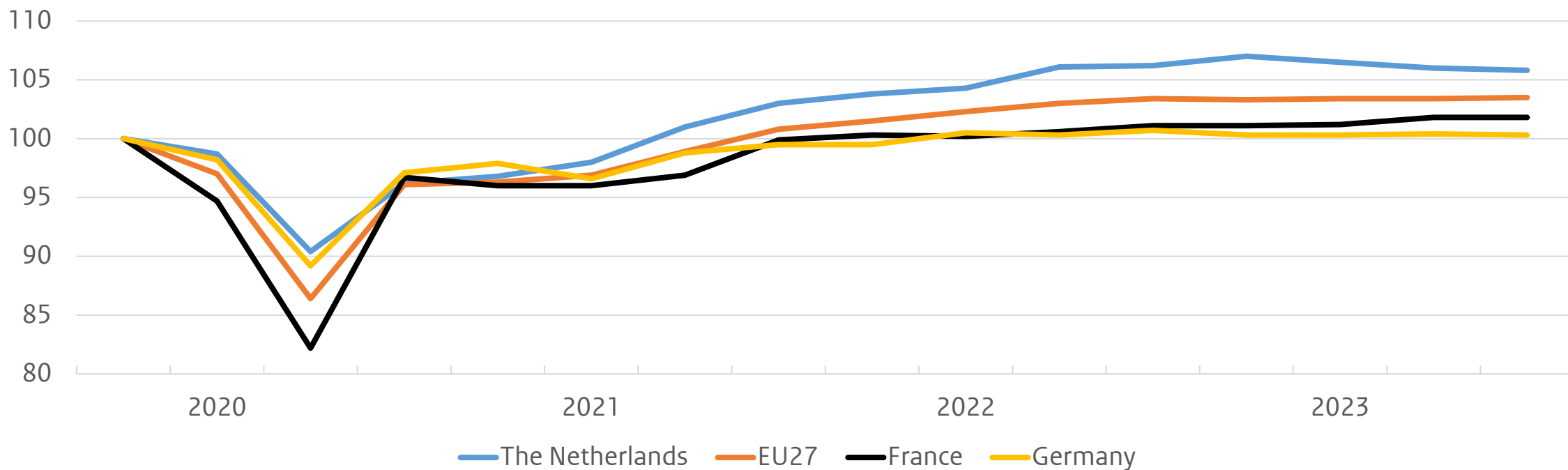






# Growth falls back but economic performance still above peers

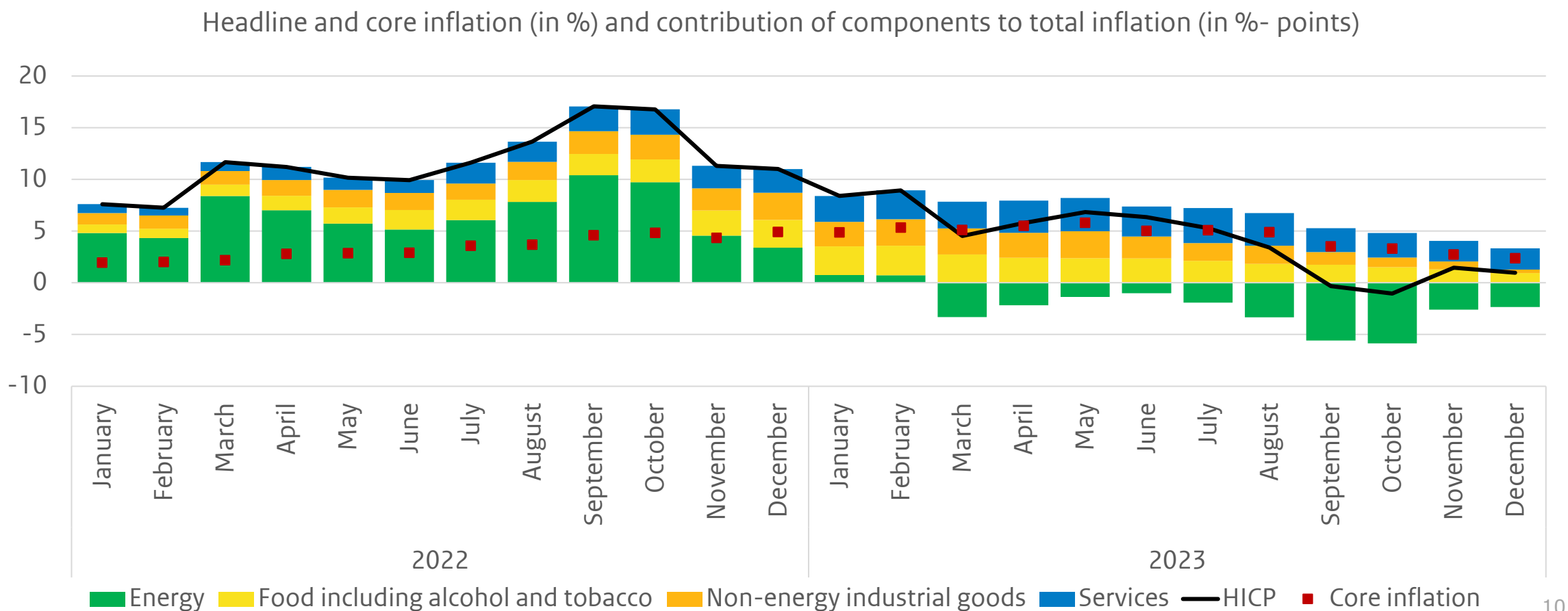
GDP volume developments based on seasonally adjusted data  
(index with 2019/Q4 = 100)



Source: CBS, December 2023



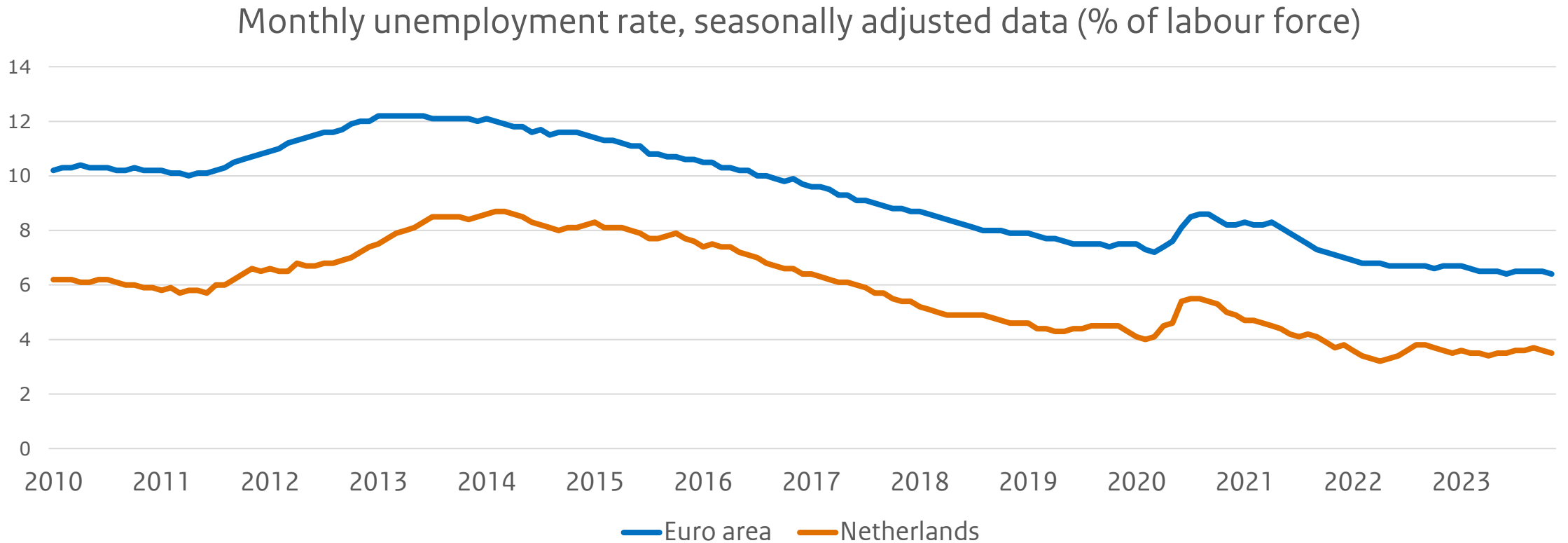
# Inflation is past the peak and gradually declining further







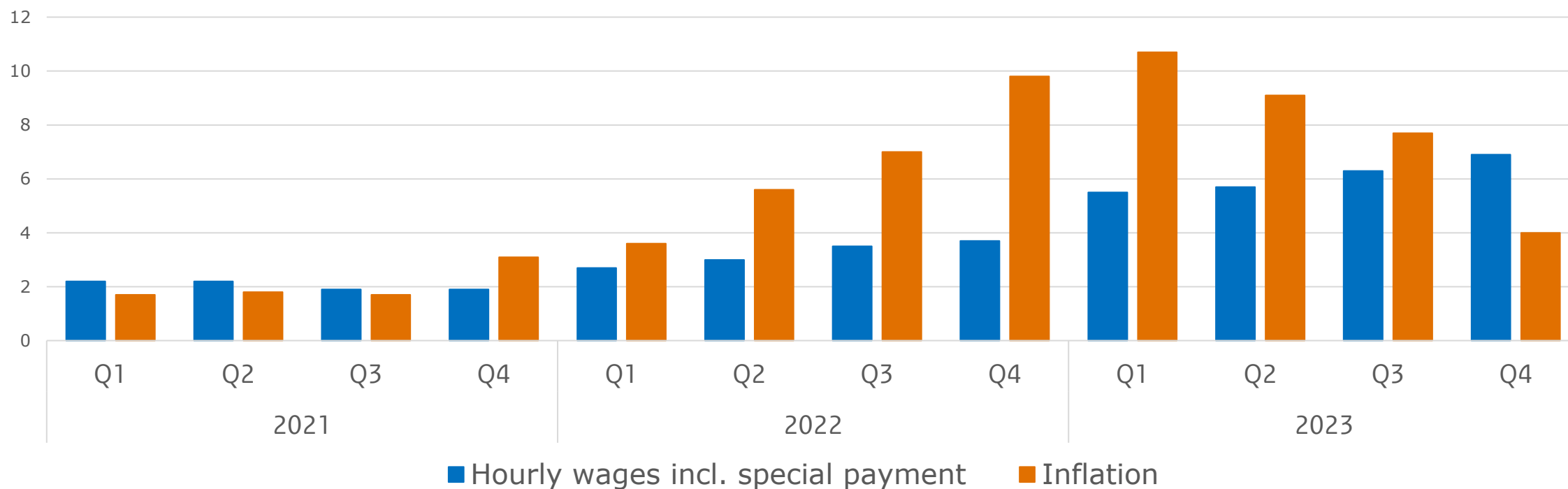
# Labor market remains tight despite economic slowdown





# Wages are catching up with inflation - with a delay

Nominal wage growth and inflation in the Netherlands\* (change y-o-y)







# Risks to the outlook remain, but mitigating factors exist

## Risks

### Slowdown in world trade

- > Geo-political uncertainty can hamper world trade growth and lead to increased fragmentation

### Hard landing global economy

- > Monetary tightening can trigger recession in advanced economies

### Political uncertainty

- > Uncertain time period till formation of new government

### Private debt and higher rates

- > Rapid interest rate rise can increase cost of private debt and dampen consumption and investment

## Mitigating factors

### Diverse trade relations

- > Netherlands has diverse trade relations and are not too dependent on a single trade partner

### Strong resilience and fundamentals

- > The Dutch public, private and financial sector have high buffers and are able to absorb macroeconomic shocks

### Mandate of caretaker government

- > Can take necessary decisions to fight immediate crisis

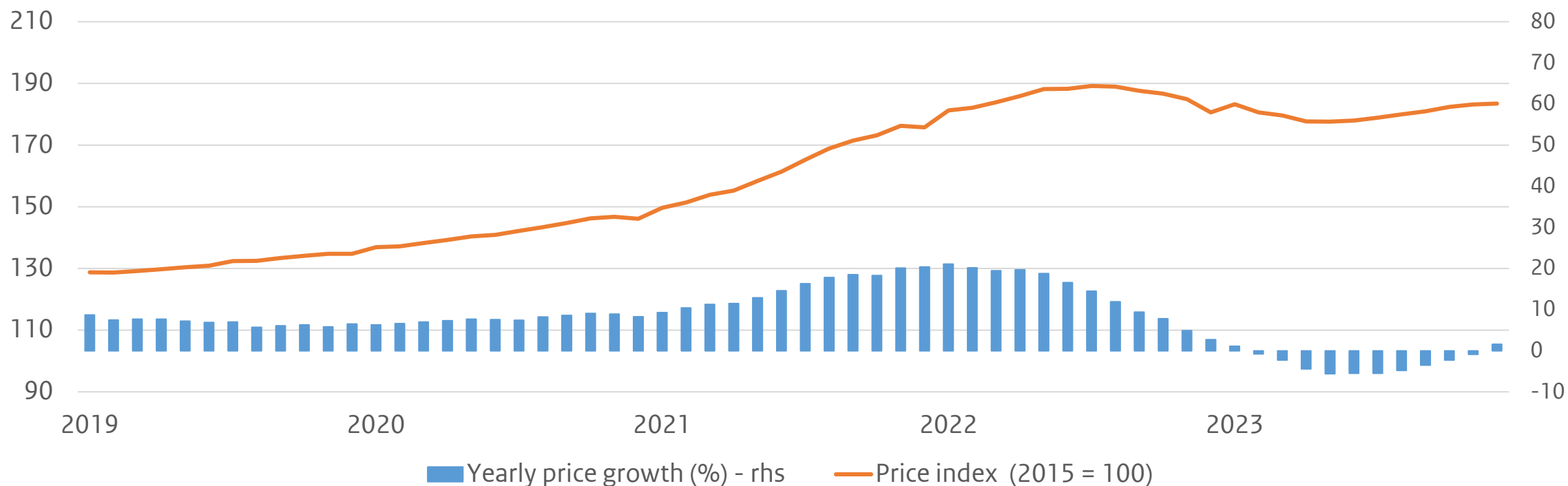
### Long mortgage duration

- > Household still have remaining pandemic savings and average duration of mortgages is long



# The housing market has bottomed out, and prices are expected to increase again next year

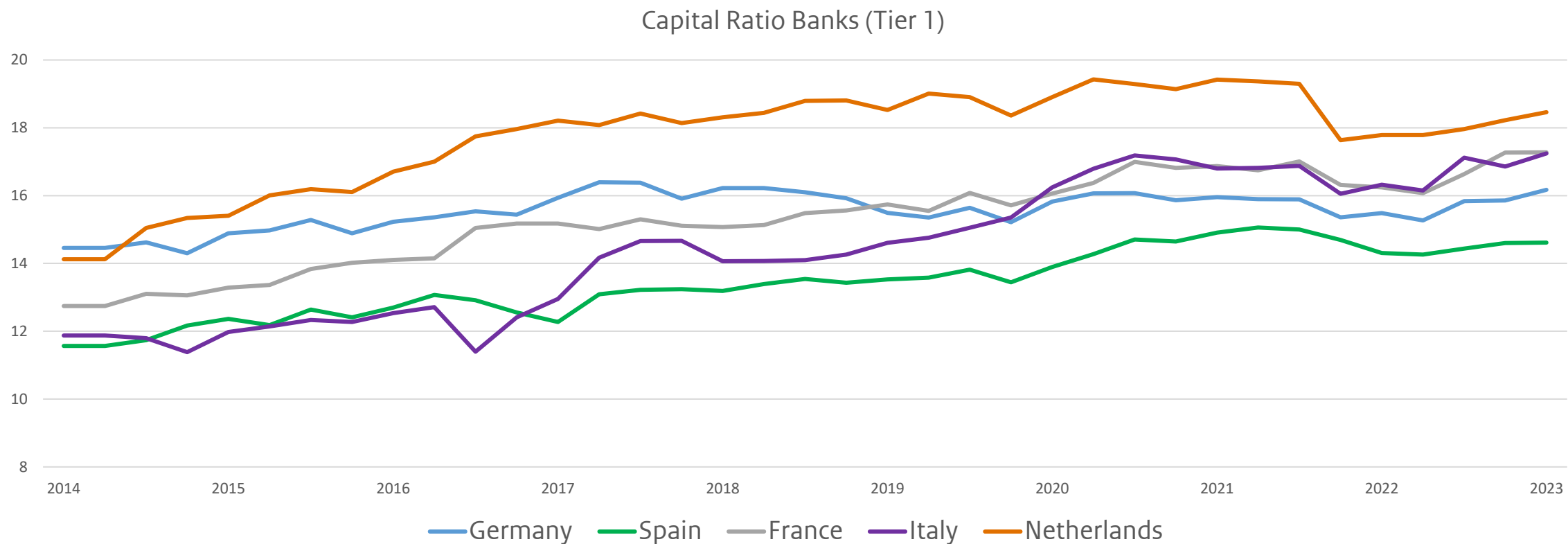
Price development of existing owner-occupied dwellings







# Banks have a strong financial position





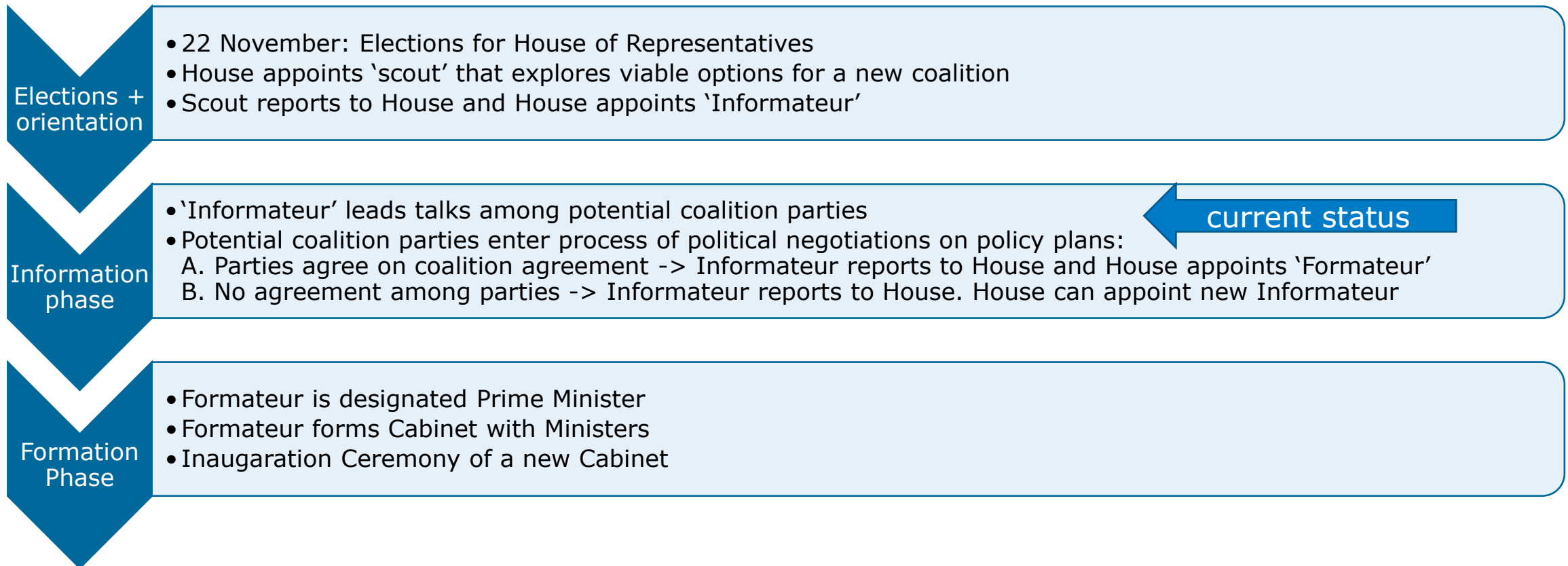
## Caretaker government stays in place during political negotiations

- › After the November elections, a phase follows where **potential coalition partners** negotiate on political agreement
- › The duration and outcome of this negotiation phase are uncertain
- › During this phase, the current government stays in place as caretaker government
- › The regular budget cycle (including spring and fall budget memorandums) continues under the caretaker government
- › The caretaker government usually does not present new policies





# Political process after elections



*Stylized representation. Exact process can differ due to political dynamics*



# Budgetary Outlook



# Budgetary outlook

*Deficit increases, but public finances remain sound*

% of GDP	2022	2023	2024	2025
EMU balance	0.1	-1.8	-3.1	-3.0
EMU debt	50.1	47.6	47.3	48.8

Source: Ministry of Finance, Miljoenennota. November update of Budget Memorandum, 24 November 2023 and and Ministry of Finance, letter to Parliament on 31 October 2023

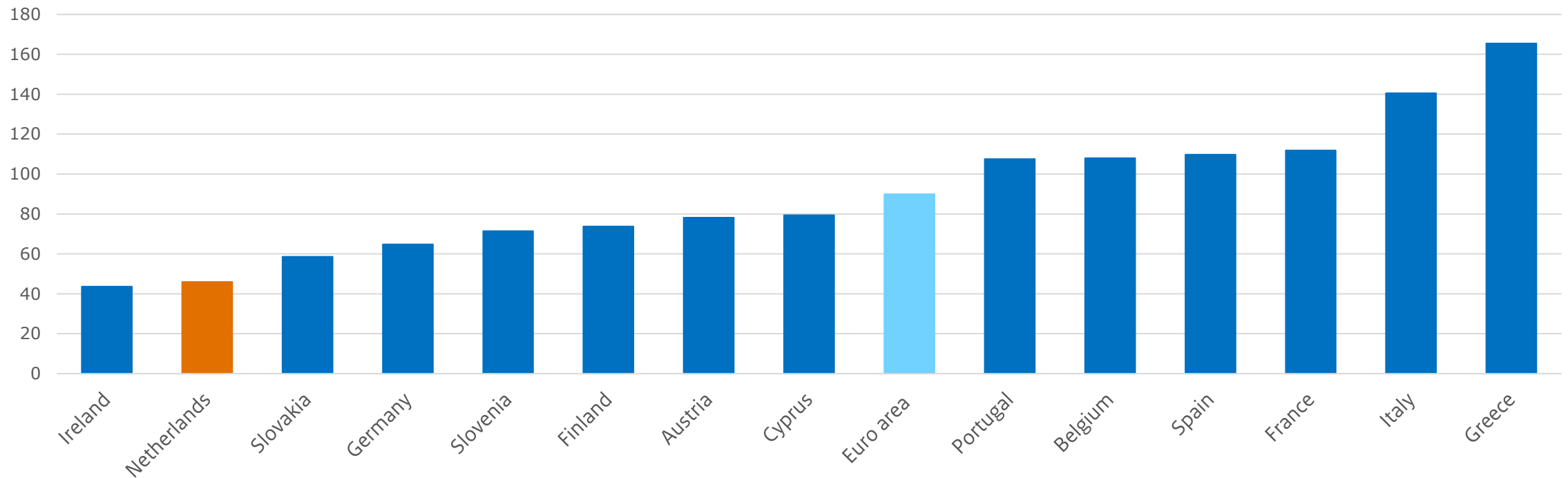
- Deficit 2023 lower than initially expected due to delay in public investments and higher tax revenue
- Debt expected to decrease this year and rise thereafter, but to remain well under SGP-norm of 60%





# Public debt is low compared to peers

Government gross debt (% of GDP)



Source: Eurostat, October 2023 – quarterly data for Q3 2023



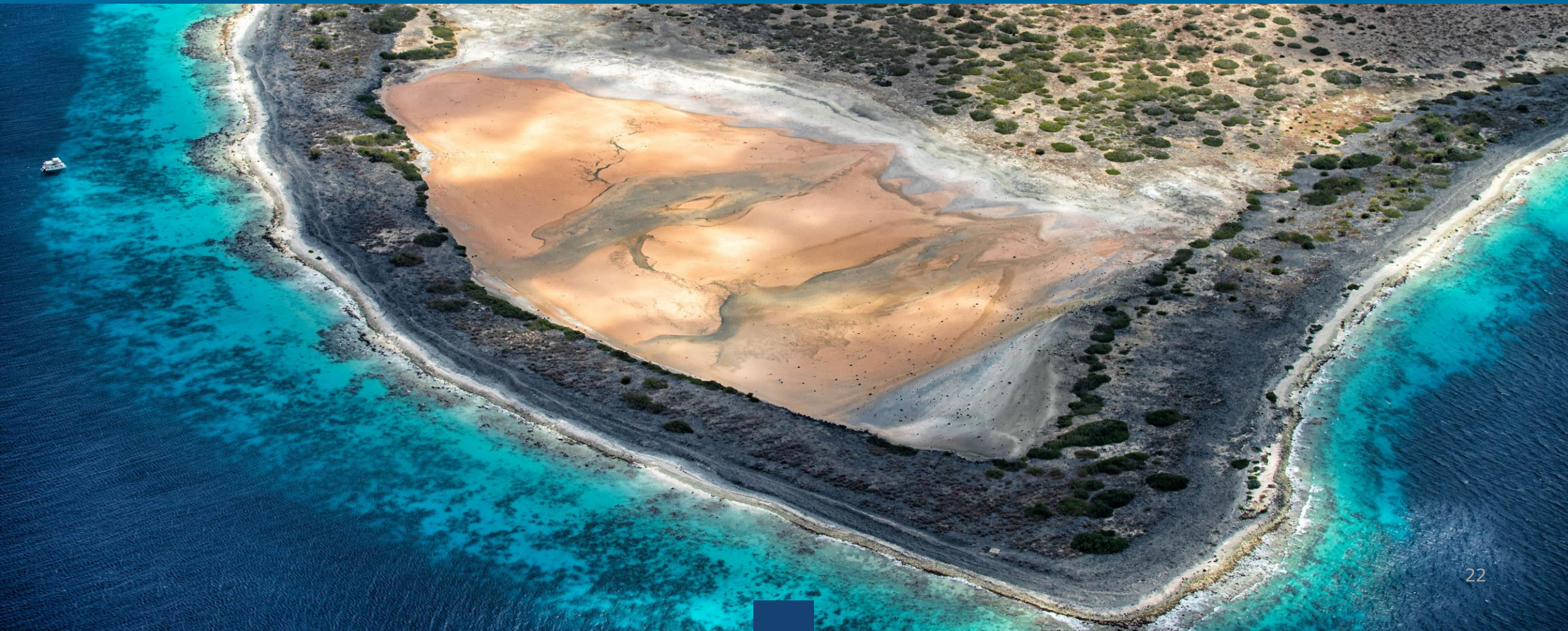
## TenneT can borrow from Dutch State to finance investment needs in electricity grid

- > TenneT is a 100% state-owned transmission system-operator
- > € 25 bn loan facility for TenneT to finance investment needs in additional grid capacity in 2024 and 2025, of which approx. €13 bn in 2024
- > Loans must be repaid:
  - between 2030 and 2040; or
  - upon completion of sale of TenneT Germany [*NB: repayment may also be substantial part*]
- > The loan facility is subject to approval by Parliament; approval requested before 1 March 2024
- > Impact on funding need: currently too early to re-assess the funding need for current year. The DSTA will publish an update when available
- > Negotiations with potential buyer of TenneT Germany still ongoing





# Climate Outlook







# Climate outlook

## *Emission reductions for 2030 within reach*

- > The target for 2030 is to achieve at least a 55% GHG-reduction by aiming for 60% reduction (from 1990 levels). This target has been set in the Climate Act
- > The Climate Act requires the independent Netherlands Environmental Assessment Agency (PBL) to annually calculate the impact of current policy
- > The PBL projects a GHG reduction of 46-57% in 2030, bringing the 2030 target within reach
- > Caretaker government will continue to execute climate policy until new government is formed. The Senate passed the EUR 30 billion climate fund in December 2023





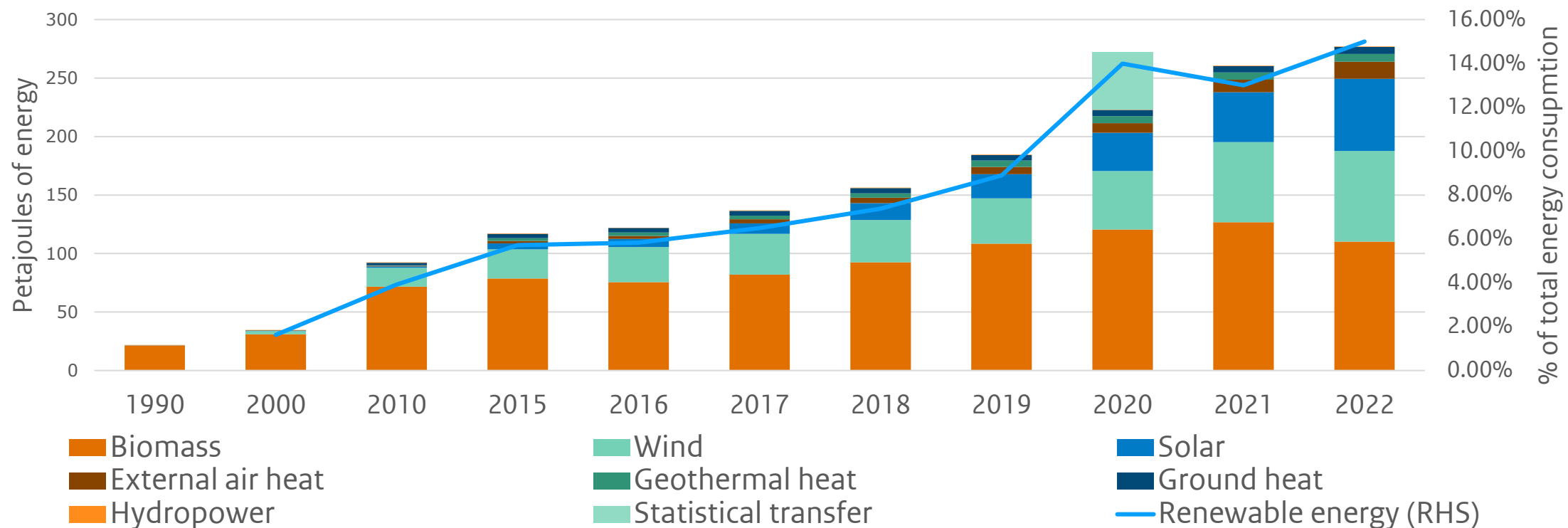
# Green 20-year DSL 2044

- › Dutch State launched a new 20 year green bond last fall with nearly full adherence to EU Taxonomy





# Share of renewable energy increasing



Source: Statistics Netherlands, December 2023

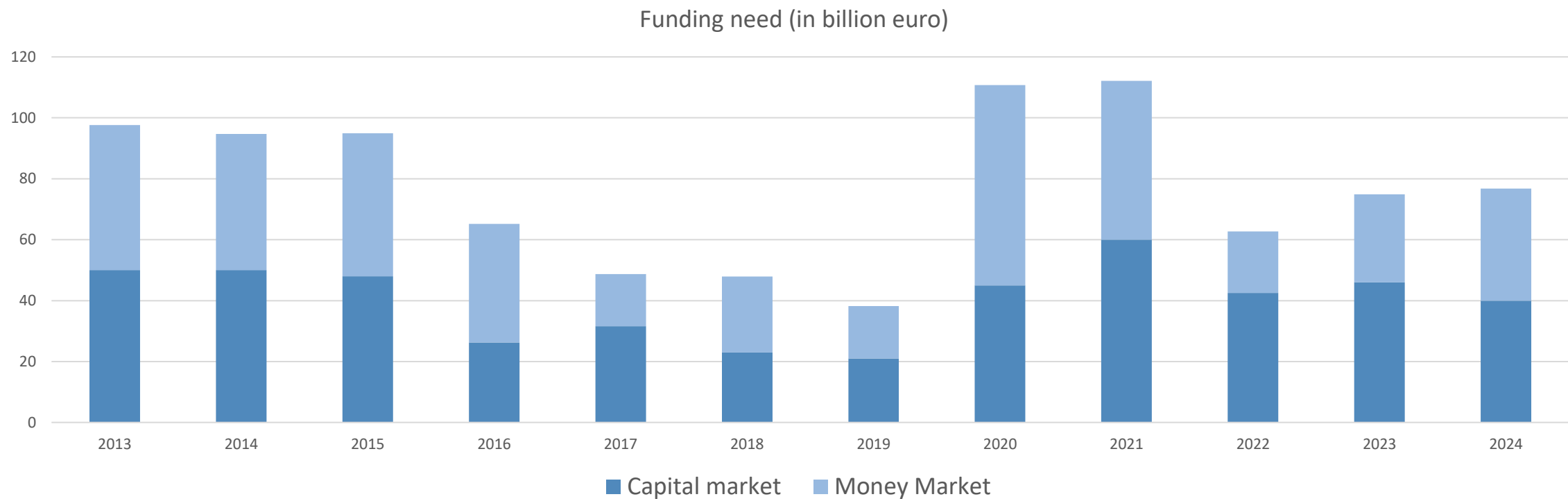


# Funding and issuance





# Funding need over the years



*Source: DSTA, 2024*

*Figures are based on the Q4 Quarterly Outlook publications of their respective years, except for 2024, where the currently projected figures are displayed*





# A closer look at the funding need

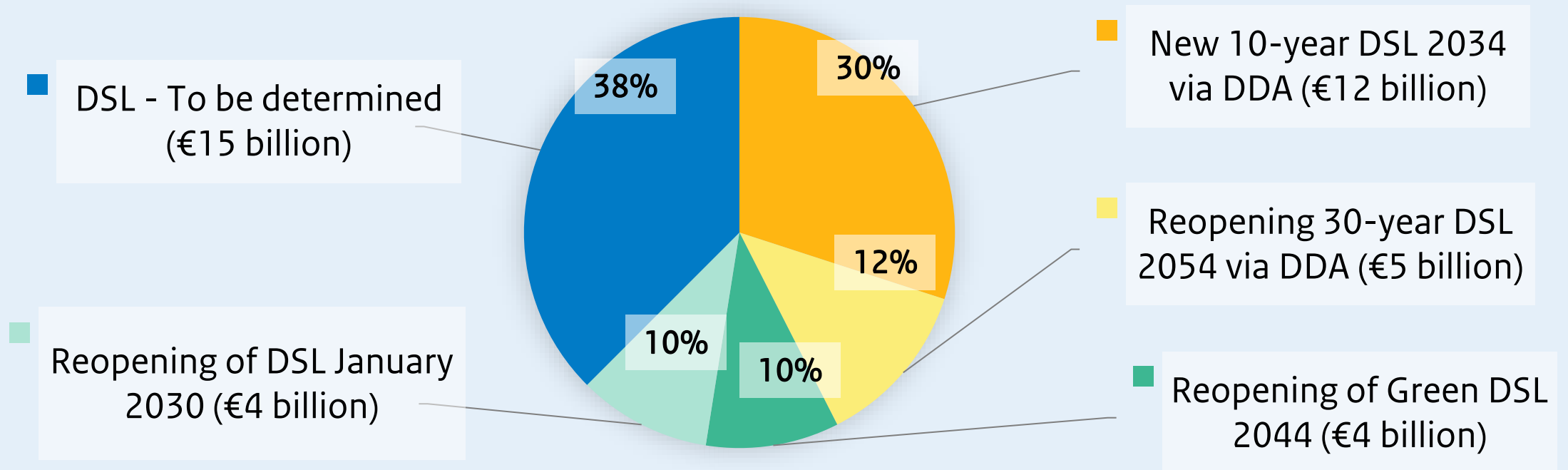
Funding need	Amounts (in € bn)
Capital market redemptions 2024	32.8
Money market ultimo 2023	25.5
Cash deficit 2024*	18.5
<b>Total funding need 2024</b>	<b>76.8</b>

\* A cash deficit is shown as a positive number because it increases the total borrowing requirement



# Capital market issuance in 2024: *€ 40 billion nominal*

- So far, around **11%** of this call on the capital market has been completed as of the end of January





# DSL issuance calendar Q1 2024

Auction date	Details	Target volume (€ billion)
9 January	Reopening of the DSL 15 January 2030	2 – 2.5
23 January	Reopening of the DSL 15 January 2038	1.5 – 2
6 February	New 10-year bond: DSL 15 July 2034	4 – 6
27 February	One auction date: Reopening of an existing DSL	All auctions: To be announced*
12 March	One auction date: Reopening of DSL 15 January 2030	
26 March	One auction date: Reopening of the Green DSL 15 January 2044	

\* Target volume and other details will be announced at a later stage



# Ensuring liquidity in secondary markets

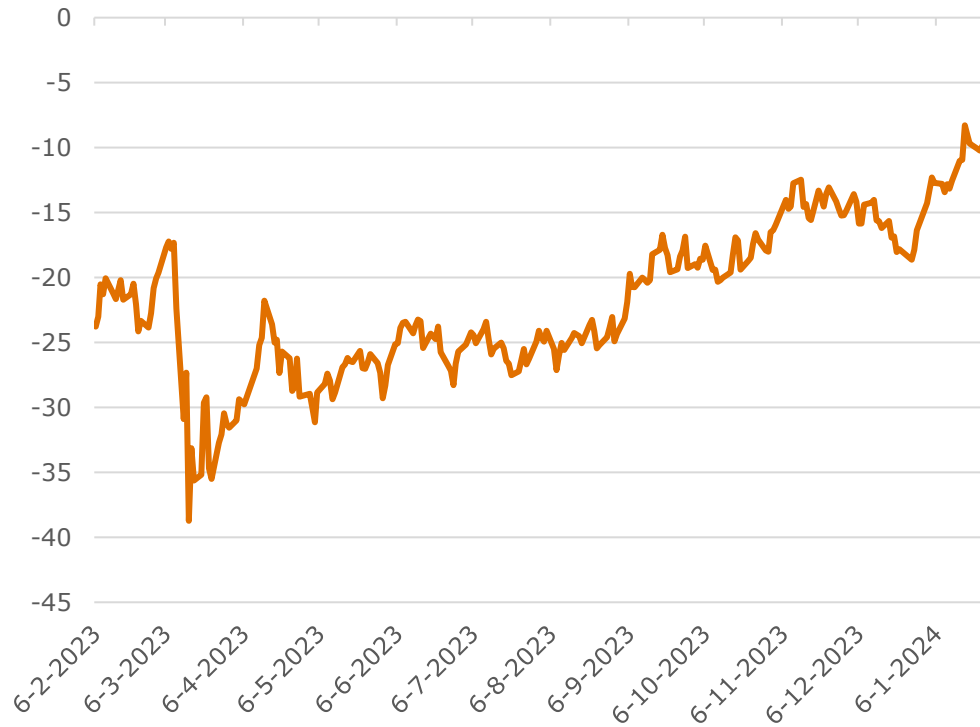
- › Clarity at start of the year on new benchmark issuances (published in December Outlook)
- › Annual issuance of a new 10-year bond
  - Outstanding amount of new 10-year bond raised to at least €12 billion within calendar year
  - Outstanding amount of new maturity less than 10-years DSLs raised to at least €12 billion within 12 months
  - Longer dated DSLs raised to at least €10 billion within several years
- › Re-opening existing DSL lines after market consultation
- › Quotation obligation for Primary Dealers to ensure tradable prices at all times
- › Repo facility available to Primary Dealers ('lender of last resort')



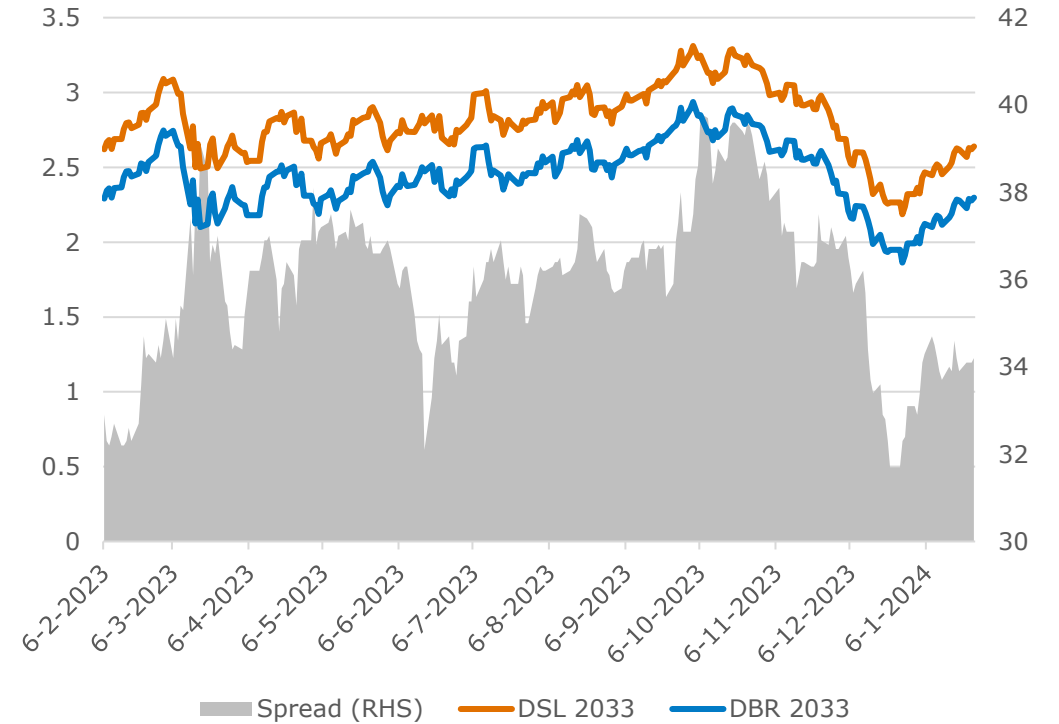


# Spread vs ASW and Germany

ASW Spread (DSL2033)



Yield pickup vs Germany







# Auction details





# Recap: Details new 10-year Dutch State Loan

Details new DSL 2034	
Auction date	Tuesday 6 February 2024, start 10:00 CET
Maturity date	15 July 2034
Reference bond	DBR 2.20% 15 February 2034
Target volume	€ 4 – € 6 billion
Pricing	Aim to price on the auction date, but no later than 12:00 CET on 7 February 2024
Settlement date	Two days after the issuance price is set
Coupon	To be announced on Friday 2 February 2024
Initial spread guidance	To be announced on Monday 5 February 2024
Country ratings	Aaa/AAA/AAA



# Time schedule DDA of 10-year DSL

- > Book opens 10:00 CET on Tuesday 6 February 2024
- > Final spread guidance will be announced no later than 15:00 CET on the auction day
- > Book closes at the latest 17:00 CET on the auction day
- > Allocation communicated as soon as possible after closing the book; preferably on the auction day but no later than 09:00 CET the following business day
- > Pricing from 30 minutes after allocation and preferably on the auction day itself; but no later than 12:00 CET the following business day
- > The DSTA is committed to increase the outstanding volume of this bond to a minimum of around € 12 billion by the end of the year.





# Supplement: The DDA explained



# A short overview of the DDA

- › Rule-based auction → all investors receive equal treatment
- › Primary auction with direct participation of end-investors
- › A single uniform price → winner's curse avoided
- › Bids can be placed via Primary Dealer(s) of choice and orders can be split via several dealers
- › Primary Dealers receive a total of € 17,000,000 including advisory fees for their performance during the launch of the 10 year DSL and the reopening of the 30-year DSL 2054.
- › The DSTA is the sole book runner
  - Level playing field among all Primary Dealers
  - Confidential participation of investors
- › PDs must sign a DDA Allocation and Price Compliance Statement as indicated in the [General Conditions](#) for PDs
- › The DDA rules can be found on our [website](#)

The proces of the DDA is also set out in this short [video clip](#)