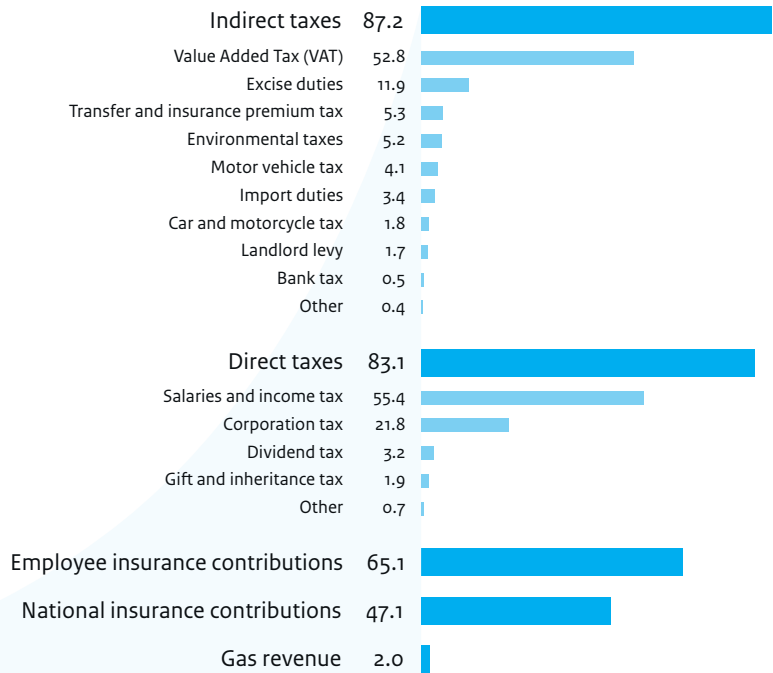




# Overview of government revenue and expenditure in 2018

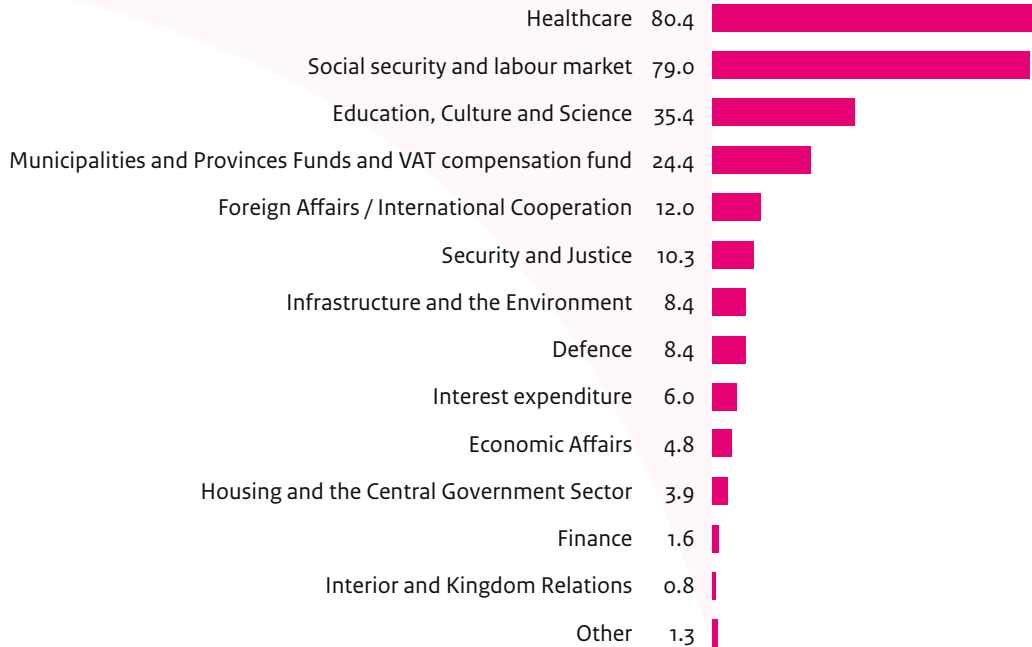
Amounts in billions of euros



€ 285 bn Revenue

€ 7.8 bn Surplus

€ 277 bn Expenditure





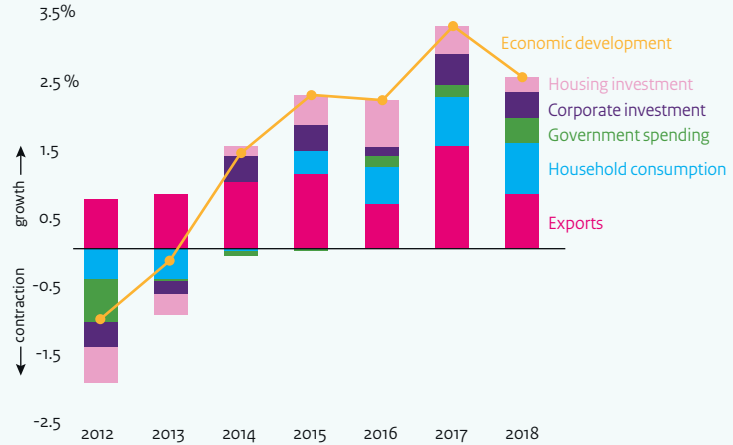
# Summary of 2018 Budget Memorandum



## The Dutch economy continues to do well

The Dutch economy is continuing to grow, bolstered by an increase in domestic consumption, exports, government spending and investment. Corporate investment is rising due to increased output and growing producer confidence. The labour market is developing more positively than expected. Unemployment is declining due to an increase in the number of jobs. Inflation has slightly increased. Average house prices are rising quickly and the number of transactions is at an all-time high, although the situation differs from one region to another. The Dutch economy is benefiting from the improved European and global economic climate.

Structure of economic development



### Risks

With its open economy, the Netherlands is vulnerable to international developments and uncertainties



Effects of Brexit



Terrorism and geopolitical instability



Increase in trade barriers



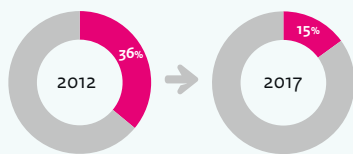
Effects of low interest rates

There are, however, a number of risks. Due to its open economy, the Netherlands is vulnerable to a turn of the economic tide in Europe or worldwide. The United Kingdom's decision to withdraw from the European Union, uncertainty about the direction of the United States' economic policy, and the geopolitical tensions regarding for example North Korea, are sources of uncertainty that can impact Dutch economic growth. The consequences of the present unconventional monetary policy – and its phase-out in the longer term – are also uncertain. Finally, the Paris climate agreement presents urgent challenges for the years ahead.

## Many households benefit from current economic developments



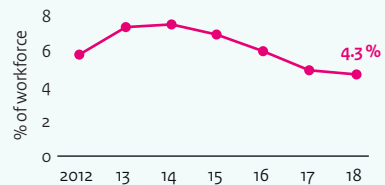
### Percentage of households with negative home equity



The effects of improvement in the economy has noticeable effects for Dutch citizens. The outlook for the coming years is increasingly positive. In particular people who have recently found work and those benefiting from higher house prices are doing well. The number of households with negative home equity – i.e. whose home is worth less than their mortgage debt – is continuing to drop.

The growing economy and the increasing shortages on the labour market are not yet translating into higher salaries and purchasing power for everyone. This may be due in part to the increased flexibility of the labour market and the untapped potential of people who are not participating in it. In addition, there are still unemployed people looking for jobs, and rising house prices are making it more difficult for first-time buyers and families to find suitable properties.

### Unemployment

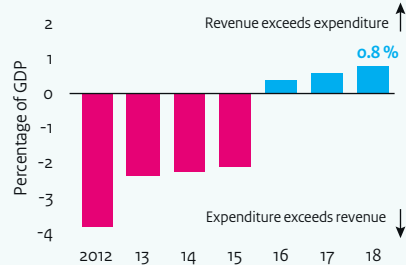




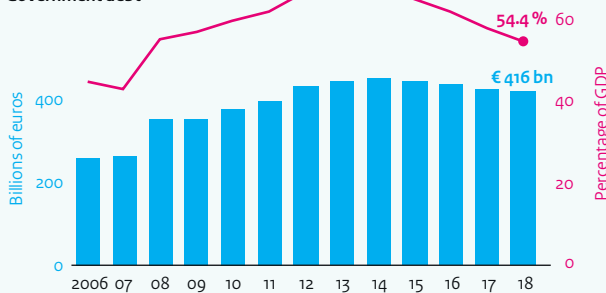
## Budget surplus and decreasing debt

The favourable economic developments are improving the budget balance and reducing the debt. The budget surplus will rise to 0.8% of gross domestic product (GDP) in 2018. The budget balance will therefore remain considerably more favourable than was forecast when the Rutte-Asscher government took office in 2012. This is mainly because the ongoing economic growth is generating higher revenues from taxes and social insurance contributions. It is also attributable to the lower interest rates, which decrease the interest owed on government debt. On the other hand, the much lower natural gas revenues resulting from the drop in production and lower natural gas prices somewhat dampens the budget surplus.

Government balance



Government debt

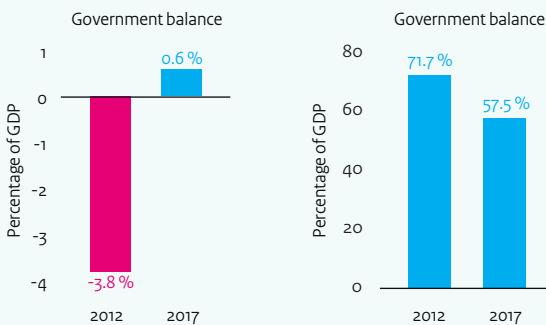


As a result of the budget surplus, the growth in GDP and the gradual sell-off of the state's shareholding in ABN AMRO and a.s.r., the government debt will fall to 54.4% of GDP in 2018. This means that the government debt is below the EMU debt limit of 60%, but remains considerably higher than it was before the economic crisis began (it was 45% in 2008). Through the gradual re-privatisation of ABN AMRO and a.s.r., the government is reducing the stake it acquired in these financial institutions during the crisis.

## Budgetary buffer against ageing demographic and future crises



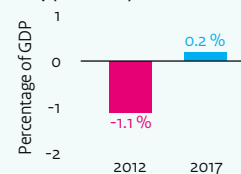
Public finances before start Rutte-Asscher government in 2012 compared with 2017 (% of GDP)



Healthy public finances will enable the Netherlands to cope with future crises and meet the costs of demographic ageing. To be able to respond effectively to a future economic crisis and avoid the need for immediate spending cuts, it is important – now that the economy is picking up – to maintain a budget surplus and further reduce the debt. This will make it possible to run a budget deficit and allow the debt to increase in times of adversity. Healthy public finances are also vital in order to meet the public costs of demographic ageing – such as rising expenditure on pensions and healthcare – and of other public services, like education.

After many years with a fiscal sustainability deficit, the measures set out in the 2012 coalition agreement restored the sustainability of the public finances. The current level of public services will remain affordable in the future, without the need to raise taxes or pass on the bill to future generations by allowing the government debt to rise. The improvement in the fiscal sustainability of government finances is partly due to the measures taken by the government, such as the reform of the state pension system, healthcare and the housing market (reduction of mortgage interest tax deductibility).

Fiscal sustainability balance before start Rutte-Asscher government in 2012 compared with 2017 (% of GDP)





## Key points in the 2018 budget



**€ 435 mn**

Implementation of quality framework for nursing home care



**€ 425 mn**

Restoring purchasing power of vulnerable groups



**€ 270 mn**

Primary education



**€ 116 mn**

Investing in the Netherlands' security

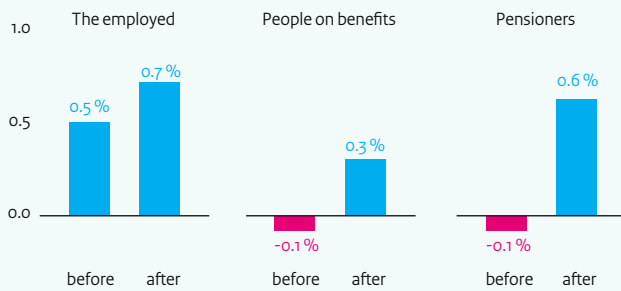


**€ 100 mn**

Executive agencies: Tax and Customs Administration and Food and Consumer Product Safety Authority

The government is improving the purchasing power of vulnerable groups and providing funds for nursing home care, primary education, national security and executive agencies. The purchasing power measures being taken by the government mean that the employed, benefit recipients and pensioners will generally have more purchasing power in 2018.

Development of median purchasing power in 2018 before and after purchasing power measures



This summary is a publication of the Ministry of Finance and is based on the 2018 Budget Memorandum. For more information see [government.nl/topics/budget-day](http://government.nl/topics/budget-day).