EUROPEAN
COMMISSION

Brussels, 20.11.2019
C(2019) 9116 final

COMMISSION OPINION

of 20.11.2019

on the Draft Budgetary Plan of the Netherlands

{SWD(2019) 926 final}

EN EN

COMMISSION OPINION

of 20.11.2019

on the Draft Budgetary Plan of the Netherlands

GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013 sets out provisions for enhanced monitoring of budgetary policies in the euro area for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact and the European Semester for economic policy coordination.

2. Article 6 of Regulation (EU) No 473/2013 requires Member States to submit annually to the Commission and to the Eurogroup a Draft Budgetary Plan presenting by 15 October the main aspects of the budgetary situation of the general government and its subsectors for the forthcoming year.

CONSIDERATIONS CONCERNING THE NETHERLANDS

3. On 15 October 2019, the Netherlands submitted the Draft Budgetary Plan. On that basis, the Commission has adopted the following opinion in accordance with Article 7 of Regulation (EU) No 473/2013.

4. The Netherlands is subject to the preventive arm of the Stability and Growth Pact and should preserve a sound fiscal position which ensures compliance with the medium-term budgetary objective of -0.5% of GDP.

5. According to the Commission 2019 autumn forecast, real GDP is expected to grow by 1.7% in 2019 and 1.3% in 2020. The macroeconomic scenario underlying the Draft Budgetary Plan, projecting broadly similar economic growth rates, is plausible. The Netherlands complies with the requirement of Regulation (EU) No 473/2013, since the draft budget is based on independently produced macroeconomic forecasts.

6. The Draft Budgetary Plan expects a headline budget surplus of 1.3% of GDP in 2019 and 0.2% in 2020. The structural balance[1] of the Draft Budgetary Plan shows a deterioration from 0.9% of GDP in 2018 to 0.5% of GDP in 2019 and -0.2% in 2020. The Commission 2019 autumn forecast foresees slightly higher headline surpluses, at 1.5% of GDP in 2019 and 0.5% in 2020. The difference for 2019 is related to the later cut-off date of the Comission forecast and the inclusion of more recent budget execution information. The structural budget balance in the Commission forecast is also slightly higher, at 0.7% of GDP in 2019 and 0.2% of GDP in 2020. This is explained by the difference in headline surpluses, in combination with a somewhat lower estimate for the output gap, leading to a smaller cyclical correction.

7. The fiscal stance is expansionary according to both the Draft Budgetary Plan and the Commission 2019 autumn forecast. This is illustrated by a substantial expected decline of the structural budget balance from 0.9% of GDP in 2018 to 0.2% in 2020, according to the Commission forecast. For 2020, the expenditure side measures include higher spending on education, research and innovation, defence and security

[1] Cyclically-adjusted balance net of one-off and temporary measures, recalculated by the Commission using the commonly agreed methodology.

and infrastructure. In addition, the 2020 Draft Budgetary Plan contains expenditure increasing measures in the fields of housing, pensions and the participation of older workers, climate and energy, and youth services. On the revenue side, lower direct labour income taxes are planned by 0.6% of GDP in 2020. The lowering of the tax wedge addresses the Recommendation of 9 July 2019[2] addressed by the Council to the Netherlands to implement policies to increase household disposable income.

The fiscal-structural part of the country-specific recommendations issued by the Council on 9 July 2019 call on the Netherlands to, while respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment and to focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks. With respect to these recommendations the authorities have prepared legislation for the launch of Invest-NL, a national promotional institution with a mandate to support private-sector investment aimed at tackling key societal challenges and supporting access to finance for small and medium-sized enterprises. The Draft Budgetary Plan also describes recent developments with respect to the mission driven innovation strategy and the budgetary impact, including the tax measures related to the recent *climate agreement*, presented on 28 June 2019.

8. According to the information provided in the Draft Budgetary Plan, the Netherlands is expected to continue to achieve its medium-term budgetary objective of a structural deficit of 0.5% of GDP, with a recalculated structural surplus of 0.5% of GDP in 2019 and a deficit of 0.2% of GDP in 2020. The Commission 2019 autumn forecast points to the same conclusion. Therefore, the Netherlands is assessed to be compliant with the requirements under the preventive arm of the Stability and Growth Pact.

9. Overall, the Commission is of the opinion that the Draft Budgetary Plan of the Netherlands is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget.

Given the Netherlands' favourable budgetary situation, the Commission invites the authorities to undertake additional expenditures for supporting an upward trend in investment and to focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks, as recommended by the Council in the context of the European Semester.

[2] Council Recommendation of 9 July 2019 on the 2019 National Reform Programme of the Netherlands and delivering a Council opinion on the 2019 Stability Programme of the Netherlands (OJ C 301, 5.9.2019, p.112).

The Commission is of the opinion that the Netherlands has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Done at Brussels, 20.11.2019

For the Commission
Pierre MOSCOVICI
Member of the Commission