



EUROPEAN COMMISSION  
Directorate-General  
Economic and Financial Affairs

Brussels, 27 May 2015

**Assessment of the 2015 Stability Programme for  
THE NETHERLANDS**

*(Note prepared by DG ECFIN staff)*

## CONTENTS

1. INTRODUCTION.....	3
2. MACROECONOMIC OUTLOOK.....	3
3. RECENT AND PLANNED BUDGETARY DEVELOPMENTS.....	5
3.1 Deficit developments in 2014.....	5
3.2 Target for 2015 and medium-term strategy.....	6
3.3 Debt developments .....	9
3.4 Risk assessment.....	11
4. COMPLIANCE WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT .....	13
5. LONG-TERM SUSTAINABILITY .....	15
6. FISCAL FRAMEWORK AND QUALITY OF PUBLIC FINANCES.....	17
6.1. Fiscal framework.....	17
6.2. Quality of public finances .....	17
7. CONCLUSIONS .....	18
ANNEX.....	19

## **1. INTRODUCTION**

This document assesses the Netherlands' April 2015 Stability Programme (hereafter called Stability Programme), which was submitted to the Commission on April 30 and covers the period 2014-2018. It was approved by the government and presented to the national parliament for a debate without a vote.

The Netherlands is currently subject to the preventive arm of the the Stability and Growth Pact and should preserve a sound fiscal position which ensures compliance with the medium term objective.

As the debt ratio was 68.6% of GDP in 2013 (the year in which Netherlands corrected its excessive deficit), exceeding the 60% of GDP reference value, during the three years following the correction of the excessive deficit the Netherlands is also subject to the transitional arrangements as regards compliance with the debt reduction benchmark. In this period it should ensure sufficient progress towards compliance. After the transition period, as of 2017, the Netherlands is expected to comply with the debt reduction benchmark.

This document complements the Country Report published on 26 February 2015 and updates it with the information included in the Stability Programme. Section 2 presents the macroeconomic outlook underlying the Stability Programme and provides an assessment based on the Commission 2015 spring forecast. The following section presents the recent and planned budgetary developments, according to the Stability Programme. In particular, it includes an overview on the medium term budgetary plans, an assessment of the measures underpinning the Stability Programme and a risk analysis of the budgetary plans based on Commission forecast. Section 4 assesses compliance with the rules of the Stability and Growth Pact, including on the basis of the Commission forecast. Section 5 provides an overview on long term sustainability risks and Section 6 on recent developments and plans regarding the fiscal framework and the quality of public finances. Section 7 summarises the main conclusions.

## **2. MACROECONOMIC OUTLOOK**

The projections used in the Stability Programme are based on the forecast of the Netherlands Bureau of Economic Policy Analysis (CPB) and cover the period from 2014 until 2018<sup>1</sup>. Economic growth came out at 0.9% of GDP in 2014<sup>2</sup> and expects growth to accelerate to 1.7% and 1.8% in 2015 and 2016, respectively. This is slightly more optimistic than the Commission 2015 spring forecast, which foresees economic growth to accelerate to 1.6% and 1.7%, respectively (see Table 1).

---

<sup>1</sup> The figures for 2017 and 2018 are an extrapolation of the medium-term forecast produced by the CPB in 2012 (at the beginning of this government's term). The CPB has not updated this forecast since then and the government is obliged by law to base its budgetary projections on the CPB's macroeconomic forecast.

<sup>2</sup> At the time of the publication of the CPB forecast underlying the Stability Programme, many macroeconomic and budgetary statistics for 2014 were not yet published or only first estimates were available. This includes the annual GDP growth rate in 2014, which was estimated to be 0.8% of GDP.

According to the Stability Programme, domestic demand is turning into the main driver of economic growth in 2015 and 2016, contributing 1.3pp and 1.4pp to economic growth in each year. Whereas the government is only marginally increasing its consumption, household consumption and private sector investment are expected to increase substantially. Exports are expected to increase by 4.6% in 2015 and 4.8% in 2016. Driven by the recovery of domestic demand, imports are projected to increase at an even faster rate, limiting the contribution of net exports to economic growth to 0.2pp in 2015 and 2016. While the Commission 2015 spring forecast expects economic growth to evolve similarly<sup>3</sup>, it foresees a slightly stronger contribution from domestic demand and only a negligible contribution from net exports.

**Table 1: Comparison of macroeconomic developments and forecasts**

	2014		2015		2016		2017	2018
	COM	SP	COM	SP	COM	SP	SP	SP
Real GDP (% change)	0.9	0.8	1.6	1.7	1.7	1.8	1.6	1.6
Private consumption (% change)	0.1	0.1	1.6	1.5	1.7	1.7	0.1	0.1
Gross fixed capital formation (% change)	3.4	2.3	4.5	3.4	4.2	3.9	2.6	2.6
Exports of goods and services (% change)	4.0	4.0	4.1	4.6	5.0	4.8	5.1	5.1
Imports of goods and services (% change)	4.0	3.8	4.3	4.9	5.5	5.3	4.5	4.5
<i>Contributions to real GDP growth:</i>								
- Final domestic demand	0.6	0.4	1.4	1.3	1.6	1.4	0.5	0.5
- Change in inventories	-0.1	-0.2	0.0	0.1	0.1	0.1	0.0	0.0
- Net exports	0.4	0.5	0.2	0.2	0.1	0.2	1.1	1.1
Output gap <sup>1</sup>	-3.0	-3.1	-2.1	-2.1	-1.1	-1.1	-0.5	-0.1
Employment (% change)	-0.3	-0.3	0.8	0.9	0.9	1.0	0.5	0.5
Unemployment rate (%)	7.4	7.4	7.1	7.2	6.9	7.0	6.5	6.5
Labour productivity (% change)	1.1	1.0	0.7	0.8	0.6	0.9	1.1	1.1
HICP inflation (%)	0.3	0.3	0.2	-0.1	1.3	0.9	1.5	1.5
GDP deflator (% change)	1.1	1.0	-0.4	1.0	1.9	0.8	0.9	0.9
Comp. of employees (per head, %)	1.2	2.4	0.7	0.5	1.5	2.3	1.3	1.3
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	9.8	9.6	9.1	10.0	9.6	9.5	10.9	10.9
<b>Note:</b>								
<sup>1</sup> In percent of potential GDP, with potential GDP growth recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.								
<b>Source:</b>								
Commission 2015 spring forecast (COM); Stability Programme (SP).								

Compared to the macroeconomic forecast underlying the 2015 Draft Budgetary Plan, the most important changes have been made to forecasts of economic growth and inflation. Economic growth for 2015 has been revised upwards, driven by a stronger than expected recovery,

<sup>3</sup> The macroeconomic scenario in the Stability Programme has slightly different assumptions for the main external exogenous variables than the Commission 2015 spring forecast, mainly because it was published earlier and could not include the latest developments. For instance, it assumes a slightly stronger euro exchange rate and a somewhat higher oil price.

corroborated with soft and hard indicators that have developed more positively than expected at the time of the submission of the 2015 Draft Budgetary Plan. Inflation has been substantially revised downwards, mainly due to oil price developments.

The output gap, as recalculated by the Commission based on the information in the programme following the commonly agreed methodology, narrows continuously and almost closes by 2017, suggesting a move from bad to neutral economic conditions.

The Stability Programme uses plausible macroeconomic assumptions. Risks to the forecast are balanced and mainly external. The Stability Programme does not include an estimate of the macroeconomic effects of individual structural reforms. While a tax reform has been announced, it remains unspecified in the Stability Programme.

### **3. RECENT AND PLANNED BUDGETARY DEVELOPMENTS**

#### **3.1 Deficit developments in 2014**

The general government budget deficit for 2014 came out at 2.3% of GDP. This is substantially better than expected in the 2014 Stability Programme and the 2015 Draft Budgetary Plan (2.9% of GDP). The difference is related to a number of issues of which the most important ones are briefly discussed in this section.<sup>4</sup>

In the first place, as a result of the revisions of the national accounts in 2014, the contribution of the Netherlands to the EU budget was revised upwards, including an additional payment (consisting of a gross contribution and a refund) to be made for 2014. At the time of the submission of the 2015 Draft Budgetary Plan, the gross contribution was expected to be paid (and booked) in 2014, whereas the refund was expected to be repaid (and booked) in 2015<sup>5</sup>. However, after the submission of the 2015 Draft Budgetary Plan, Eurostat decided that both transactions were to be recorded in 2014, resulting in an almost 0.1pp of GDP improvement of the budget balance compared to the balance expected in the 2015 Draft Budgetary Plan.

Secondly, the government had decided to make changes to the personal income tax system. However, the tax authorities were not able to implement this change in time, leading to too-low monthly tax prepayments for many households. Eventually, the government decided to extend the time for households to pay the outstanding amount beyond the usual schedule for households to settle their income tax liability. Even though the bulk of these payments is expected to be made well into 2015, the statistical office decided (after the submission of the 2015 Draft Budgetary Plan) to book the pending amount in 2014, which improves the budget balance by more than 0.1pp of GDP.

Another 0.1pp of GDP difference is based on interest expenditure that has decreased substantially since the submission of the 2015 Draft Budgetary Plan. Interest expenditure has not been included in any of the expenditure ceilings. As a result, a decrease in interest

---

<sup>4</sup> For a discussion of the difference of the forecast of the general government gross debt ratio between the 2014 stability programme and the 2015 Draft Budgetary Plan, see [2014 Analysis of the draft budgetary plan of the Netherlands, Commission Staff Working Document, SWD\(2014\) 8810 final](#).

<sup>5</sup> See for example <http://www.government.nl/news/2014/11/24/2014-autumn-memorandum-government-budget-on-track.html>

expenditure does not create room to finance other expenditures but impacts the deficit. Other expenditure has also been slightly lower than expected, by around 0.1pp of GDP.

The difference between the general government budget deficit as expected in the 2015 Draft Budgetary Plan and the final outcome shows that the fiscal position turned out to be better than expected at the time of submission of the 2015 Draft Budgetary Plan (even though around 0.2 pp of GDP of the difference is related only to national accounting decisions made by Statistics Netherlands and Eurostat).

### **3.2 Target for 2015 and medium-term strategy**

The 2015 Stability Programme of the Netherlands does not mention fiscal *targets* for 2015 and beyond but presents fiscal *forecasts*. This is because the national fiscal framework requires the government to adhere to a well-established system of expenditure ceilings (see section 6.1). Public finance figures in the programme are therefore projected using the expenditure ceilings and (for revenues) a macroeconomic forecast that has been produced by the CPB, an independent body (see section 6). The fiscal forecast for 2015 is based on the budget for 2015 that is being implemented. For the years beyond 2015, the government has reiterated its commitment and foresees to remain at the MTO, a structural balance of -0.5% of GDP<sup>6</sup>, which reflects the objectives of the Stability and Growth Pact.

#### **The target for 2015**

The 2015 Stability Programme expects a budget deficit of 1.8% of GDP and a (recalculated) structural deficit of 0.5% of GDP. This compares to a budget deficit of 1.7% of GDP and a structural deficit of 0.3% of GDP in the Commission 2015 spring forecast (see Table 2). Even though the macroeconomic forecast underlying the Stability Programme is slightly more optimistic than the Commission 2015 spring forecast, the contribution of domestic demand is slightly lower in the former, resulting in a less tax-rich recovery and a slightly higher forecast for the general government deficit, explaining the difference between the two projections.

Neither the Stability Programme nor the Commission 2015 spring forecast expects any one-off measures in 2015. According to the 2015 Stability Programme, the contribution of non-central sectors of general government to the overall budget deficit is very limited (0.3pp in total). Provinces and local municipalities are expected to run a budget deficit of 0.2% of GDP and social security a deficit of 0.1% of GDP.

The projections for 2015 in the 2015 Stability Programme are better than expected in last year's Stability Programme. Between the two vintages the economic outlook has improved more than expected at the time of the previous Stability Programme, positively influencing the headline deficit. A detailed comparison between the two vintages is complicated by the (very sizeable) revision of national accounts that took place between the publications of the two documents.<sup>7</sup>

---

<sup>6</sup> Whilst strictly speaking the structural balance is measured in percentage of *potential* GDP (not of actual GDP), the reference to the potential is left out throughout this document for reason of simplicity.

<sup>7</sup> For a discussion of the impact of the revision of the national accounts on the budgetary plans of the government see the [2014 Analysis of the draft budgetary plan of the Netherlands, Commission Staff Working Document, SWD\(2014\) 8810 final](#).

The budgetary outlook has also improved compared to the 2015 Draft Budgetary Plan (which is based on the revised national accounts data and is more easily comparable to the 2015 Stability Programme). This is mainly due to lower-than-expected interest expenditure and higher corporate income taxes (due to higher profits). Lower revenues from the production of natural gas (due to lower prices but also lower production ceilings) only partly offset these positive developments.

### **The medium-term strategy**

The Stability Programme expects the Netherlands to maintain the fiscal position at the MTO (i.e. 0.5% of GDP structural deficit) that was reached in 2013. The existing expenditure ceilings support that goal. Also according to the Commission 2015 spring forecast the Netherlands would remain at the MTO in 2016 (the final year of the Commission forecast).

The budget deficit is forecast to improve to 1.2% of GDP in 2016 and 0.7% of GDP in 2017 and 2018 (see Table 2). For the years 2016 and beyond the Stability Programme foresees the central government to generate the general government budget deficit, while the deficit caused by provinces and local municipalities is offset by surpluses of equal size in the social security system. The (recalculated) structural deficit is expected to remain around the MTO throughout the programme period (0.4% of GDP in 2016 and 2017 and 0.6% of GDP in 2018). For these years no one-off measures are foreseen in neither the Stability Programme nor the Commission 2015 spring forecast.

A relatively stable structural balance and the absence of one-off measures implies that the improvement of the headline budget deficit is mainly driven by favourable macroeconomic developments.

Compared to the 2014 Stability Programme, the medium-term outlook is substantially more positive in the 2015 Stability Programme. This is partly the result of a better macroeconomic outlook but also partly of the revision of national accounts that took place between the publication of the previous and the current Stability Programme.

The government is contemplating to amend the tax system and has indicated in the Stability Programme that this might lead to a projected deviation from the medium term objective in the coming years. The stability programme announces that in case a deviation from the MTO is forecast as a result of this amendment, the government would request the application of the structural reform clause at a later stage.

**Table 2: Composition of the budgetary adjustment**

(% of GDP)	2014	2015		2016		2017	2018	Change: 2014-2018
	COM	COM	SP	COM	SP	SP	SP	SP
<b>Revenue</b>	<b>44.3</b>	<b>44.8</b>	<b>43.8</b>	<b>44.5</b>	<b>44.0</b>	<b>43.8</b>	<b>43.8</b>	<b>-0.5</b>
<i>of which:</i>								
- Taxes on production and imports	11.5	11.6	11.2	11.5	11.2	11.3	11.3	-0.2
- Current taxes on income, wealth, etc.	10.8	11.7	11.6	12.0	11.5	11.7	11.7	0.9
- Social contributions	15.5	14.9	14.6	14.8	15.1	15.0	15.0	-0.5
- Other (residual)	6.5	6.6	6.4	6.3	6.2	5.8	5.8	-0.7
<b>Expenditure</b>	<b>46.6</b>	<b>46.5</b>	<b>45.6</b>	<b>45.7</b>	<b>45.2</b>	<b>44.5</b>	<b>44.5</b>	<b>-2.1</b>
<i>of which:</i>								
- Primary expenditure	45.2	45.1	44.3	44.4	44.0	43.3	43.3	-1.9
<i>of which:</i>								
Compensation of employees	9.2	9.1	8.9	8.9	8.9	8.9	8.7	-0.5
Intermediate consumption	6.3	6.7	6.0	6.8	5.9	5.8	5.8	-0.5
Social payments	22.3	22.3	21.9	22.1	21.7	21.5	21.5	-0.8
Subsidies	1.2	1.2	1.2	1.1	1.2	1.3	1.3	0.1
Gross fixed capital formation	3.6	3.5	3.5	3.4	3.4	3.3	3.3	-0.3
Other (residual)	2.5	2.3	2.8	2.1	2.9	2.7	2.7	0.2
- Interest expenditure	1.4	1.4	1.3	1.3	1.2	1.2	1.2	-0.2
<b>General government balance (GGB)</b>	<b>-2.3</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-0.7</b>	<b>-0.7</b>	<b>1.6</b>
<b>Primary balance</b>	<b>-0.8</b>	<b>-0.3</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>0.6</b>	<b>1.4</b>
One-off and other temporary	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>GGB excl. one-offs</b>	<b>-2.2</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-0.7</b>	<b>-0.7</b>	<b>1.5</b>
Output gap <sup>1</sup>	-3.0	-2.1	-2.1	-1.1	-1.1	-0.5	-0.1	3.0
Cyclically-adjusted balance <sup>1</sup>	-0.3	-0.3	-0.5	-0.4	-0.4	-0.4	-0.6	-0.3
<b>Structural balance (SB)<sup>2</sup></b>	<b>-0.2</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.6</b>	<b>-0.4</b>
Structural primary balance <sup>2</sup>	1.2	1.0	0.8	0.9	0.8	0.8	0.6	-0.7

Notes:

<sup>1</sup>Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

<sup>2</sup>Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

Source:  
Stability Programme (SP); Commission 2015 spring forecasts (COM); Commission calculations.

### **Measures underpinning the programme**

The Stability Programme does not announce new discretionary measures, apart from the announcement of a possible amendment of the tax system (for which no details are presented and hence cannot be considered at this stage). However, measures that were part of earlier (coalition) agreements to restore public finances are still planned to be implemented in 2016 and 2017.<sup>8</sup> In particular, these measures aim at curbing the growth of public expenditure on

<sup>8</sup> Although successive governments have no obligation to implement measures adopted by the predecessors, they usually either implement them or replace them by measures with a similar (positive) impact on public finances to achieve the fiscal targets required under the Pact.



health care and at reducing the number of public employees. Some of these measures are reported in Table 3.

**Table 3: Main budgetary measures**

<b>Revenue</b>	<b>Expenditure</b>
<b>2014</b>	
<ul style="list-style-type: none"> <li>• Reduction of natural gas production ceiling (-0.1% of GDP)</li> <li>• Several income tax measures (e.g. suspending inflation-adjustment tax brackets) (0.6% of GDP)</li> <li>• Cancellation of previously-adopted tax reductions for corporations (0.1% of GDP)</li> </ul>	<ul style="list-style-type: none"> <li>• General government (e.g. wage freeze public servants, generic cuts on ministerial budgets) (-0.4% of GDP)</li> <li>• Several health care measures (e.g. cutbacks on subsidies for pharmaceuticals) (-0.1% of GDP)</li> </ul>
<b>2015</b>	
<ul style="list-style-type: none"> <li>• Change in tax deductibility pension premiums (<i>Witteveenkader</i>) (0.2% of GDP)</li> <li>• Several smaller tax measures (e.g. increase in tax allowances) (0.3% of GDP)</li> </ul>	<ul style="list-style-type: none"> <li>• General government (e.g. reduction of staff) (-0.3 % of GDP)</li> <li>• Health care measures (e.g. making financial support for domestic help income-dependent) (0.5% of GDP)</li> </ul>
<b>2016</b>	
<ul style="list-style-type: none"> <li>• Personal income tax increase (0.1% of GDP)</li> </ul>	<ul style="list-style-type: none"> <li>• Social security &amp; health care (e.g. reform of child benefits) (0.3% of GDP)</li> <li>• General government (e.g. reduction of staff) (-0.1% of GDP)</li> </ul>
<b>2017</b>	
	<ul style="list-style-type: none"> <li>• General government (e.g. reduction of staff) (-0.1% of GDP)</li> <li>• Social security &amp; health care (e.g. reform of unemployment insurance) (0.3% of GDP)</li> </ul>
<p><u>Note:</u> A positive sign implies that revenue / expenditure increases as a consequence of this measure.</p>	

### 3.3 Debt developments

The Stability Programme expects the general government gross debt ratio to stabilise at 68.8% of GDP in 2015 and to decline by almost 1 pp of GDP in the following years. Positive primary balances and further decreasing interest payments in the outer years are the main factors contributing to the decline in the debt ratio (see Table 4).

Government debt was on a decreasing trend before the crisis but it increased by around 26 pps of GDP between 2007 and 2014. Although the Netherlands supported the financial sector (by, for example, taking over banks) and contributed to the financial stability mechanisms of the

EU, the more important factor behind the substantial increase in government debt in these years was the annual accumulation of general government budget deficits that explain about two thirds of the increase.

Mainly due to different forecasts for nominal GDP, the Commission 2015 spring forecast expects a further increase in the debt ratio in 2015 before a decline by about 1pp of GDP in 2016. Since the onset of the crisis the general government gross debt ratio has increased substantially but, on the basis of several consolidation packages, the outlook for the general government gross debt ratio has improved markedly<sup>9</sup> (see Figure 1). Concerning the most recent information, the debt projection of the Stability Programme is broadly in line with the Commission 2015 spring forecast.

**Table 4: Debt developments**

(% of GDP)	Average 2009-2013	2014	2015		2016		2017	2018
			COM	SP	COM	SP	SP	SP
<b>Gross debt ratio<sup>1</sup></b>	<b>62.4</b>	<b>68.8</b>	<b>69.9</b>	<b>68.8</b>	<b>68.9</b>	<b>67.8</b>	<b>67.0</b>	<b>66.1</b>
Change in the ratio	2.8	0.2	1.1	0.0	-1.0	-1.0	-0.8	-0.9
<i>Contributions<sup>2</sup> :</i>								
<b>1. Primary balance</b>	<b>2.5</b>	<b>0.8</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.6</b>	<b>-0.6</b>
<b>2. "Snow-ball" effect</b>	<b>1.6</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.5</b>	<b>-1.1</b>	<b>-0.6</b>	<b>-0.3</b>	<b>-0.3</b>
<i>Of which:</i>								
Interest expenditure	1.7	1.4	1.4	1.3	1.3	1.2	1.3	1.3
Growth effect	0.4	-0.6	-1.1	-1.1	-1.2	-1.2	-1.1	-1.0
Inflation effect	-0.5	-0.7	0.3	-0.7	-1.3	-0.6	-0.6	-0.6
<b>3. Stock-flow adjustment</b>	<b>-1.3</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.0</b>	<b>0.3</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.0</b>
<i>Of which:</i>								
Cash/accruals diff.				0.0		0.2	0.3	0.2
Acc. financial assets				-0.1		-0.5	0.0	0.0
<i>Privatisation</i>				0.0		0.0	0.0	0.0
Val. effect & residual				-1.8		-1.8	-1.8	-1.8

Notes:

<sup>1</sup> End of period.

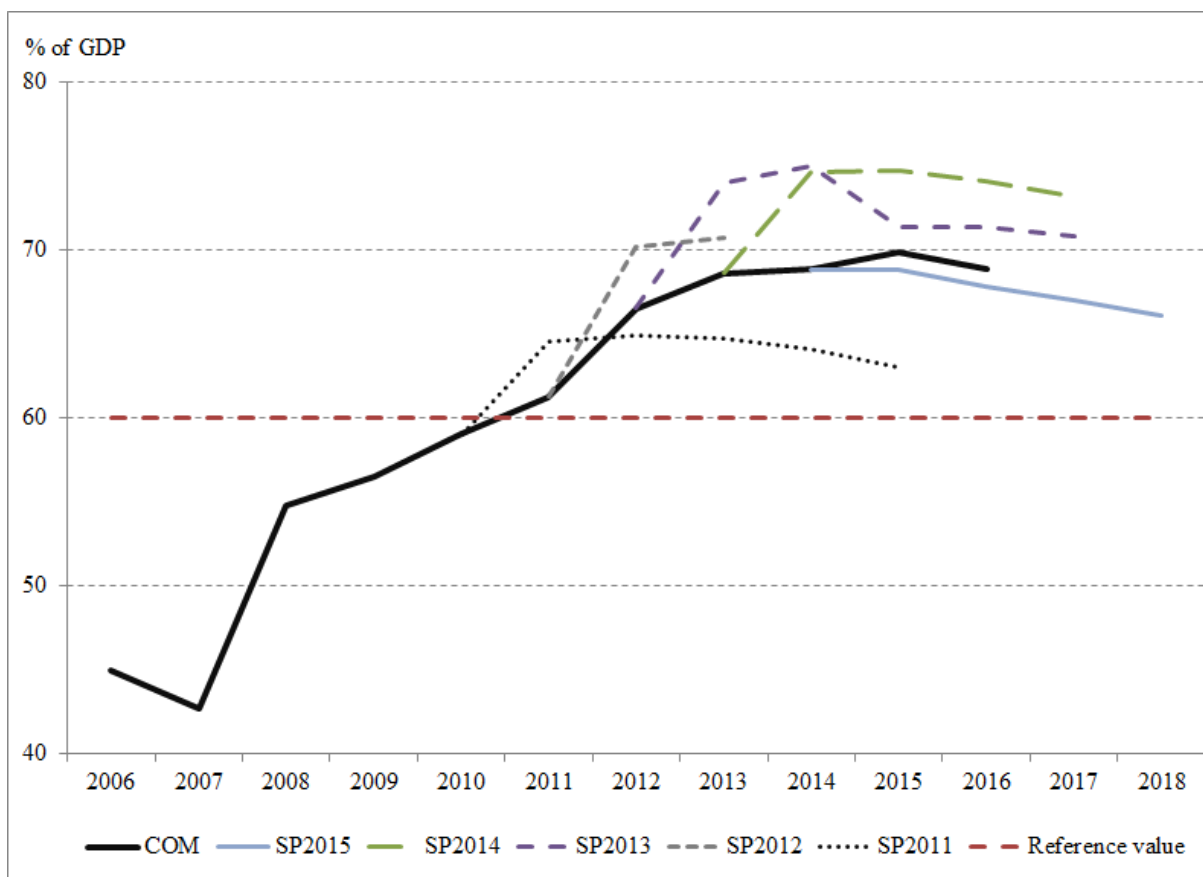
<sup>2</sup> The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

Source:

Commission 2015 spring forecast (COM); Stability Programme (SP), Commission calculations.

<sup>9</sup> Comparing the forecasts from the different vintages is complicated by the (very sizeable) effect of the revisions of the national accounts in 2014 and the different consolidation packages that were agreed upon during the crisis. "SF2012" refers to the stability programme of April 2012 the update from December 2012 is not included.

**Figure 1: Government debt projections in successive programmes (% of GDP)<sup>10</sup>**



Source: Commission 2015 spring forecast, Stability Programmes

### 3.4 Risk assessment

For 2015, Risks to the headline budget deficit are small and relate to the macroeconomic outlook. The Stability Programme does not foresee any (significant) changes to the 2015 budget of the central government, which is being implemented. With most expenditure items subject to binding expenditure ceilings and few (domestic) risks to the development of the economy, there are currently only limited risks to fulfilling the budgetary forecast for 2015.<sup>11</sup>

For 2016 and the beyond, the headline and structural balances are subject to macroeconomic risks. In particular, if the recovery of domestic demand turned out to be less rapid than foreseen and hence growth relied more on exports, the structural balance could be worse than projected in the programme. While this risk can be particularly relevant for the Netherlands, which is a very open, highly integrated economy, it represents only a moderate risk.

There are further risks to both the headline and the structural budget deficits stemming from the announced review of the ceilings for the production of natural gas that will take place in

<sup>10</sup> Comparing the forecasts from the different vintages is complicated by the (very sizeable) effect of the revisions of the national accounts in 2014 and the different consolidation packages that were agreed upon during the crisis. "SF2012" refers to the stability programme of April 2012, the update from December 2012 is not included.

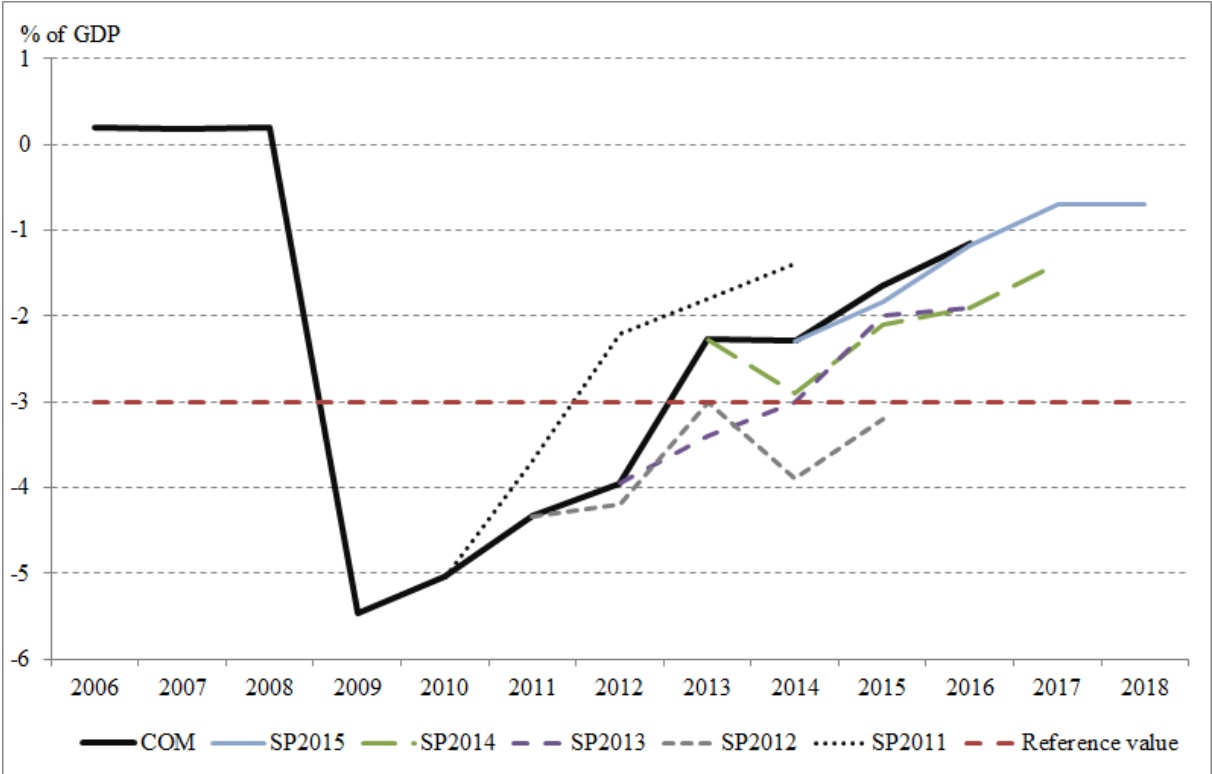
<sup>11</sup> The contribution of non-central sectors of general government to the overall budget deficit is very limited, see section 3.2.

the course of 2015. Given that gas revenues are not under one of the domestic expenditure ceilings (despite being booked as negative expenditure), a further decrease in the ceilings would have negative repercussions for public finances.

In the Stability Programme the government has announced its intention to amend the tax system and it indicated that this might have a negative impact on the structural balance. In case the government proceeds with the plan to amend the tax system, risks could arise to the headline and the structural deficit. But due to the lack of more specific information, this risk cannot be assessed at this stage.

According to the national fiscal council<sup>12</sup>, the medium-term fiscal plans as summarised in the Stability Programme are in line with the obligations under the Stability and Growth Pact. Referring to the structural balances (at face value) presented in the Stability Programme (-0.5% of GDP for all years 2015-2018), the fiscal council points out that the margins are very narrow. Given the historically large volatility of the budget balance in the Netherlands, the fiscal council suggests to increase the buffers in the budgetary plans.

**Figure 2: Government deficit projections in successive programmes (% of GDP)<sup>13</sup>**



Source: Commission 2015 spring forecast, Stability Programmes

Throughout the crisis, the Netherlands experienced a series of downward revisions of growth forecasts with negative impact on public finances. Under the corrective arm of the Pact, but also since the correction of the excessive deficit, the Netherlands has strengthened its

<sup>12</sup> See [www.raadvanstate.nl/pers/persberichten/tekst-persbericht.html?id=723&summary\\_only=&category\\_id=8](http://www.raadvanstate.nl/pers/persberichten/tekst-persbericht.html?id=723&summary_only=&category_id=8)

<sup>13</sup> Comparing the forecasts from the different vintages is complicated by the (very sizeable) effect of the revisions of the national accounts in 2014 and the different consolidation packages that were agreed upon during the crisis. "SF2012" refers to the stability programme of April 2012, the update from December 2012 is not included.

reputation for pursuing fiscal targets set by the Council (see Figure 2). For 2015 and 2016, the deficit projection of the Stability Programme is broadly in line with the Commission 2015 spring forecast.

Risks to the government debt ratio are also limited. In case the government proceeds with its plan to re-privatise parts of ABN Amro (which is neither in the baseline scenario of the forecast underpinning the Stability Programme nor in the Commission 2015 spring forecast), the debt ratio could come out lower than currently expected.

#### **4. COMPLIANCE WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT**

##### **4.1 Compliance with the MTO**

The Netherlands is currently subject to the preventive arm of the Stability and Growth Pact. It must preserve a sound fiscal position which ensures compliance with the medium term objective and compliance with the transitional arrangements of the debt reduction benchmark. After the transition period (from 2017 onwards) the Netherlands is expected to comply with the debt reduction benchmark. The Netherlands also has to comply with the Country Specific Recommendation addressed to the Netherlands by the Council in the context of the European Semester (see Box 1).

##### **Box 1. Council recommendations addressed to the Netherlands**

On 8 July 2014, the Council addressed recommendations to the Netherlands in the context of the European Semester. In particular, in the area of public finances the Council recommended to the Netherlands to reinforce the budgetary measures for 2014 in the light of the emerging gap of 0.5% of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. The Council also recommended to significantly strengthen the budgetary strategy in 2015 to ensure reaching the medium-term objective and maintain it thereafter, and to ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. The Netherlands was also recommended to protect expenditure in areas directly relevant for growth, such as education, innovation and research.

As required by the preventive arm, the Netherlands remained at its MTO in 2014. The structural deficit was 0.2% of GDP in 2014, an improvement of almost 0.4pp compared to 2013 (see Table 5). The growth rate of government expenditure, net of discretionary revenue measures, in 2014 did not exceed the applicable expenditure benchmark rate (0.7%).

With (recalculated) structural deficits of 0.5% and 0.4% of GDP in, respectively, 2015 and 2016, the Stability Programme plans to remain at the MTO in these years. The Commission 2015 spring forecast foresees structural deficits of 0.3% and 0.4% of GDP in 2015 and 2016, indicating that the Netherlands' structural deficit is expected to stay below the MTO. According to the information provided in the Stability Programme, the growth rate of government expenditure, net of discretionary revenue measures, will not exceed the applicable expenditure benchmark rate (1.4% and 1.2%) in either of these years.

**Table 5: Compliance with the requirements under the preventive arm**

(% of GDP)	2014	2015		2016	
<b>Initial position<sup>1</sup></b>					
Medium-term objective (MTO)	-0.5	-0.5		-0.5	
Structural balance <sup>2</sup> (COM)	-0.2	-0.3		-0.4	
Structural balance based on freezing (COM)	-0.2	-0.3		-	
<b>Position vis-a-vis the MTO<sup>3</sup></b>	At or above the MTO	At or above the MTO		At or above the MTO	
(% of GDP)	<b>2014</b>	<b>2015</b>		<b>2016</b>	
	<b>COM</b>	<b>SP</b>	<b>COM</b>	<b>SP</b>	<b>COM</b>
<b>Structural balance pillar</b>					
Required adjustment <sup>4</sup>	0.0	0.0		0.0	
Required adjustment corrected <sup>5</sup>	0.1	-0.3		-0.2	
Change in structural balance <sup>6</sup>	0.4	-0.3	-0.1	0.0	-0.1
<i>One-year deviation from the required adjustment<sup>7</sup></i>	0.3	0.0	0.2	0.2	0.1
<i>Two-year average deviation from the required adjustment<sup>7</sup></i>	In EDP	0.1	0.2	0.1	0.1
<b>Expenditure benchmark pillar</b>					
Applicable reference rate <sup>8</sup>	0.7	n.a. (structural balance above the MTO)			
<i>One-year deviation<sup>9</sup></i>	0.3				
<i>Two-year average deviation<sup>9</sup></i>	In EDP				
<b>Conclusion</b>					
Conclusion over one year	Compliance	Compliance			
Conclusion over two years	In EDP				
Notes					
<sup>1</sup> The most favourable level of the structural balance, measured as a percentage of GDP reached at the end of year t-1, between spring forecast (t-1) and the latest forecast, determines whether there is a need to adjust towards the MTO or not in year t. A margin of 0.25 percentage points is allowed in order to be evaluated as having reached the MTO.					
<sup>2</sup> Structural balance = cyclically-adjusted government balance excluding one-off measures.					
<sup>3</sup> Based on the relevant structural balance at year t-1.					
<sup>4</sup> Based on the position vis-à-vis the MTO, the cyclical position and the debt level (See European Commission: Vade mecum on the Stability and Growth Pact, page 28.).					
<sup>5</sup> Required adjustment corrected for the clauses, the possible margin to the MTO and the allowed deviation in case of overachievers.					
<sup>6</sup> Change in the structural balance compared to year t-1.					
<sup>7</sup> The difference of the change in the structural balance and the required adjustment corrected.					
<sup>8</sup> Reference medium-term rate of potential GDP growth. The (standard) reference rate applies from year t+1, if the country has reached its MTO in year t. A corrected rate applies as long as the country is not at its MTO.					
<sup>9</sup> Deviation of the growth rate of public expenditure net of discretionary revenue measures and revenue increases mandated by law from the applicable reference rate in terms of the effect on the structural balance. The expenditure aggregate used for the expenditure benchmark is obtained following the commonly agreed methodology. A negative sign implies that expenditure growth exceeds the applicable reference rate.					
<i>Source:</i>					
<i>Stability Programme (SP); Commission 2015 spring forecasts (COM); Commission calculations.</i>					

## 4.2 Compliance with the debt criterion

The Netherlands is in a transition period and, according to the Stability Programme, it is expected to make sufficient progress towards compliance with the debt criterion in both 2015 and 2016 (see Table 6), and the debt benchmark is expected to be met at the end of the transition period, in 2016. The Commission 2015 spring forecast leads to the same conclusion.

**Table 6: Compliance with the debt criterion**

	2014	2015		2016	
		SP	COM	SP	COM
Gap to the debt benchmark <sup>1,2</sup>	n.r.	n.r.	n.r.	n.r.	n.r.
Structural adjustment <sup>3</sup>	0.4	-0.3	-0.1	0.0	-0.1
<i>To be compared to:</i>					
Required adjustment <sup>4</sup>	-0.2	-2.2	-0.7	-4.1	-1.7
<b>Notes:</b>					
<sup>1</sup> Not relevant for Member States that were subject to an EDP procedure in November 2011 and for a period of three years following the correction of the excessive deficit.					
<sup>2</sup> Shows the difference between the debt-to-GDP ratio and the debt benchmark. If positive, projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.					
<sup>3</sup> Applicable only during the transition period of three years from the correction of the excessive deficit for EDP that were ongoing in November 2011.					
<sup>4</sup> Defines the remaining annual structural adjustment over the transition period which ensures that - if followed - Member State will comply with the debt reduction benchmark at the end of the transition period, assuming that COM (SP) budgetary projections for the previous years are achieved.					
<b>Source :</b>					
<i>Commission 2015 spring forecast (COM); Stability Programme (SP), Commission calculations.</i>					

## 5. LONG-TERM SUSTAINABILITY

The analysis in this section includes the new long-term budgetary projections of age-related expenditure (pension, health care, long-term care, education and unemployment benefits) from the 2015 Ageing Report<sup>14</sup> published on 12 May. It therefore updates the assessment made in the Country Reports<sup>15</sup> published on 26 February.

Government debt stood at 68.8% of GDP in 2014. It is expected to decrease to around 52% in 2025, below the 60% of GDP Treaty threshold. The Netherlands appears to face low fiscal sustainability risks in the medium term. However, in the long term, with a sustainability gap at 3.3% of GDP (adjustment effort needed to ensure that the debt-to-GDP ratio is not on an ever-increasing path), the Netherlands still faces medium fiscal sustainability risks, mainly

<sup>14</sup> See [http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2015/ee3\\_en.htm](http://ec.europa.eu/economy_finance/publications/european_economy/2015/ee3_en.htm)

<sup>15</sup> See [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

driven by projected ageing costs, in particular related to long term care (contributing to 2.6 pp of GDP in the long term).

**Table 7: Sustainability indicators**

	Netherlands			European Union		
	2014 scenario	No-policy-change scenario	Stability Programme scenario	2014 scenario	No-policy-change scenario	Stability/Convergence Programme scenario
S2*	2.3	3.3	3.6	1.4	1.7	0.4
<i>of which:</i>						
Initial budgetary position (IBP)	0.8	1.3	1.2	0.4	0.5	-0.7
Long-term cost of ageing (CoA)	1.5	2.0	2.4	1.0	1.1	1.1
<i>of which:</i>						
pensions	0.0	0.0	0.2	0.0	0.1	0.1
healthcare	0.8	0.7	0.6	0.8	0.7	0.6
long-term care	2.2	2.6	2.7	0.7	0.7	0.6
others	-1.5	-1.3	-1.1	-0.4	-0.3	-0.2
S1**	-2.0	-1.0	-0.4	1.4	1.8	0.5
<i>of which:</i>						
Initial budgetary position (IBP)	-1.6	-1.1	-0.7	-0.4	-0.3	-1.6
Debt requirement (DR)	0.6	0.6	0.5	1.7	1.9	1.8
Long-term cost of ageing (CoA)	-1.0	-0.5	-0.2	0.1	0.3	0.4
S0 (risk for fiscal stress)***	0.17	:	:	:	:	:
<i>Fiscal subindex</i>	0.10	:	:	:	:	:
<i>Financial-competitiveness subindex</i>	0.20	:	:	:	:	:
Debt as % of GDP (2014)	68.8			88.6		
Age-related expenditure as % of GDP (2014)	26.2			25.6		

Source: Commission, 2015 Stability Programme

Note: the '2014' scenario depicts the sustainability gap under the assumption that the structural primary balance position remains at the 2014 position according to the Commission 2015 spring forecast; the 'no-policy-change' scenario depicts the sustainability gap under the assumption that the structural primary balance position evolves according to the Commission 2015 spring forecast until 2016. The 'stability programme' scenario depicts the sustainability gap under the assumption that the budgetary plans in the programme are fully implemented over the period covered by the programme. Age-related expenditure as given in the 2015 Ageing Report.

\* The long-term sustainability gap (S2) indicator shows the immediate and permanent adjustment required to satisfy an inter-temporal budgetary constraint, including the costs of ageing. The S2 indicator has two components: i) the initial budgetary position (IBP) which gives the gap to the debt stabilising primary balance; and ii) the additional adjustment required due to the costs of ageing. The main assumption used in the derivation of S2 is that in an infinite horizon, the growth in the debt ratio is bounded by the interest rate differential (i.e. the difference between the nominal interest and the real growth rates); thereby not necessarily implying that the debt ratio will fall below the EU Treaty 60% debt threshold. The following thresholds for the S2 indicator were used: (i) if the value of S2 is lower than 2, the country is assigned low risk; (ii) if it is between 2 and 6, it is assigned medium risk; and, (iii) if it is greater than 6, it is assigned high risk.

\*\* The medium-term sustainability gap (S1) indicator shows the upfront adjustment effort required, in terms of a steady adjustment in the structural primary balance to be introduced over the five years after the forecast horizon, and then sustained, to bring debt ratios to 60% of GDP in 2030, including financing for any additional expenditure until the target date, arising from an ageing population. The following thresholds were used to assess the scale of the sustainability challenge: (i) if the S1 value is less than zero, the country is assigned low risk; (ii) if a structural adjustment in the primary balance of up to 0.5 p.p. of GDP per year for five years after the last year covered by the spring 2015 forecast (year 2016) is required (indicating a cumulated adjustment of 2.5 pp.), it is assigned medium risk; and, (iii) if it is greater than 2.5 (meaning a structural adjustment of more than 0.5 p.p. of GDP per year is necessary), it is assigned high risk.

\*\*\* The S0 indicator reflects up to date evidence on the role played by fiscal and financial-competitiveness variables in creating potential fiscal risks. It should be stressed that the methodology for the S0 indicator is fundamentally different from the S1 and S2 indicators. S0 is not a quantification of the required fiscal adjustment effort like the S1 and S2 indicators, but a composite indicator which estimates the extent to which there might be a risk for fiscal stress in the short-term. The critical threshold for the overall S0 indicator is 0.43. For the fiscal and the financial-competitiveness sub-indices, thresholds are respectively at 0.35 and 0.45.

With the previously adopted pension reforms, the Netherlands aims to address its fiscal sustainability risks. The statutory retirement age is being increased and linked to life expectancy. Further containing age-related expenditure growth, in particular in the area of long term care, appears nevertheless necessary to contribute to the sustainability of public finances in the long term.



## 6. FISCAL FRAMEWORK AND QUALITY OF PUBLIC FINANCES<sup>16</sup>

### 6.1. Fiscal framework

The macroeconomic forecast underlying the Stability Programme was prepared by the Netherlands Bureau for Economic Policy Analysis (CPB). While the CPB is a government body, it enjoys complete operational freedom, formally guaranteed by law<sup>17</sup>. The government traditionally uses the CPB's macroeconomic forecast to present the budgetary and economic effects of planned measures. This established practice has been formalised in 2013 by virtue of the Law on the Sustainability of Public Finances (*Wet houdbare overheidsfinanciën*).

As stated in the document, the Stability Programme also serves as the national medium term fiscal plan according to Art. 4.1 of Regulation 473/2013. However, neither the Stability Programme nor the national reform programme contain indications on the expected economic returns on non-defence public investment projects that have a significant budgetary impact.

### 6.2. Quality of public finances

For many years public investment<sup>18</sup> fluctuated around 4% of GDP, but since its peak in 2009 of 4.3% of GDP, it has decreased to 3.6% of GDP in 2014. Moreover, according to the Stability Programme, it is set to decline further to 3.5% of GDP in 2015 and 3.4% of GDP in 2016, potentially limiting the growth potential of the economy.

Public expenditure for research and development in percentage of GDP was only 0.84% in 2013, low not only in comparison with most Member States with similar levels of economic development (Denmark, Sweden, Germany, Austria) but also in view of the Europe 2020 target of 2.5% of GDP public and private expenditure for research and development. Total government support for research, development and innovation is expected to decline by 7.6% over the period 2013-2019<sup>19</sup>. According to the Stability Programme, public expenditure for education will decline only slightly, from 5.5% of GDP in 2013 to 5.4% of GDP in 2018.

Whereas public expenditure for education is expected to remain stable, public investment and expenditure for research, development and innovation is set to decline markedly in the coming years, limiting the growth potential of the Dutch economy.

---

<sup>16</sup> This section complements the Country Report published on 26 February 2015 and updates it with the information included in the stability programme.

<sup>17</sup> The law *Wet houdende de voorbereiding van de vaststelling van een Centraal Economisch Plan* from 1947 gives the CPB the legal basis for its operations. The law *Aanwijzing op de Planbureaus* from 2012 codifies the independence of the CPB.

<sup>18</sup> Gross fixed capital formation.

<sup>19</sup> Rathenau Institute (2015), *Total investment in research and innovation (TWIN) 2013-2019*: <http://www.rathenau.nl/publicaties/publicatie/voorpublicatie-totale-investeringen-in-wetenschap-en-innovatie-twin-2013-2019.html>

## 7. CONCLUSIONS

In 2014, the Netherlands achieved an improvement of the structural balance of 0.4pp of GDP, which is in line with the required adjustment towards the MTO. Also the growth rate of government expenditure, net of discretionary revenue measures, was in line with the applicable expenditure benchmark rate.

For 2015, while the structural balance slightly deteriorates, the government plans to remain at the MTO with a (recalculated) structural deficit of 0.5% of GDP. For 2016 a slight improvement of the (recalculated) structural deficit to 0.4% of GDP is foreseen in the Stability Programme. According to the Commission 2015 spring forecast, the Netherlands is expected to remain at the MTO in both 2015 and 2016, to comply with the expenditure benchmark and to respect the transitional arrangement of the debt reduction benchmark. There are signs that the quality of public finances is deteriorating as public support for research and development is set to decline substantially throughout the programme period.

## ANNEX

Table I. Macroeconomic indicators

	1997-2001	2002-2006	2007-2011	2012	2013	2014	2015	2016
<b>Core indicators</b>								
GDP growth rate	3.8	1.6	1.1	-1.6	-0.7	0.9	1.6	1.7
Output gap <sup>1</sup>	1.1	-1.5	0.0	-2.7	-3.5	-3.0	-2.1	-1.1
HICP (annual % change)	2.6	2.1	1.6	2.8	2.6	0.3	0.2	1.3
Domestic demand (annual % change) <sup>2</sup>	4.2	1.3	0.8	-2.4	-2.0	0.5	1.6	1.8
Unemployment rate (% of labour force) <sup>3</sup>	4.5	5.0	4.5	5.8	7.3	7.4	7.1	6.9
Gross fixed capital formation (% of GDP)	22.7	20.8	21.0	19.1	18.2	18.5	19.1	19.4
Gross national saving (% of GDP)	28.3	27.5	27.6	28.2	26.8	28.3	28.0	28.8
<b>General Government (% of GDP)</b>								
<b>Net lending (+) or net borrowing (-)</b>	<b>-0.1</b>	<b>-1.4</b>	<b>-2.9</b>	<b>-4.0</b>	<b>-2.3</b>	<b>-2.3</b>	<b>-1.7</b>	<b>-1.2</b>
<b>Gross debt</b>	<b>57.5</b>	<b>48.4</b>	<b>54.8</b>	<b>66.5</b>	<b>68.6</b>	<b>68.8</b>	<b>69.9</b>	<b>68.9</b>
<b>Net financial assets</b>	<b>-38.0</b>	<b>-33.1</b>	<b>-29.4</b>	<b>-39.5</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
Total revenue	43.6	42.4	43.1	43.5	44.5	44.3	44.8	44.5
Total expenditure	43.7	43.8	46.0	47.5	46.8	46.6	46.5	45.7
<i>of which: Interest</i>	3.8	2.3	1.9	1.7	1.5	1.4	1.4	1.3
<b>Corporations (% of GDP)</b>								
<b>Net lending (+) or net borrowing (-)</b>	<b>3.6</b>	<b>7.4</b>	<b>8.3</b>	<b>9.4</b>	<b>6.8</b>	<b>8.4</b>	<b>6.9</b>	<b>6.4</b>
<b>Net financial assets; non-financial corporations</b>	<b>-138.4</b>	<b>-86.2</b>	<b>-53.9</b>	<b>-35.1</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
<b>Net financial assets; financial corporations</b>	<b>-32.1</b>	<b>-15.6</b>	<b>-7.4</b>	<b>-22.3</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
Gross capital formation	12.4	9.9	10.7	10.9	10.3	10.6	11.2	11.7
Gross operating surplus	24.9	26.1	28.0	28.4	27.5	27.2	26.8	27.5
<b>Households and NPISH (% of GDP)</b>								
<b>Net lending (+) or net borrowing (-)</b>	<b>1.4</b>	<b>0.5</b>	<b>0.5</b>	<b>2.4</b>	<b>3.4</b>	<b>3.7</b>	<b>3.8</b>	<b>4.3</b>
<b>Net financial assets</b>	<b>196.9</b>	<b>156.1</b>	<b>146.6</b>	<b>179.6</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
Gross wages and salaries	40.2	38.9	38.0	38.9	38.8	38.2	38.8	38.4
Net property income	7.1	6.7	5.7	6.1	6.7	6.7	7.3	7.6
Current transfers received	20.4	20.3	18.9	20.6	20.9	20.6	20.5	20.4
Gross saving	8.8	7.8	7.0	7.1	7.7	7.9	8.1	8.7
<b>Rest of the world (% of GDP)</b>								
<b>Net lending (+) or net borrowing (-)</b>	<b>5.0</b>	<b>6.5</b>	<b>5.9</b>	<b>7.8</b>	<b>7.9</b>	<b>9.8</b>	<b>9.1</b>	<b>9.6</b>
<b>Net financial assets</b>	<b>11.5</b>	<b>-21.1</b>	<b>-55.8</b>	<b>-82.6</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
Net exports of goods and services	6.1	7.3	8.3	9.1	10.3	10.8	10.2	10.8
Net primary income from the rest of the world	0.9	0.9	-0.3	1.2	0.2	1.1	1.0	0.9
Net capital transactions	-0.2	0.0	-0.5	-0.9	-0.5	0.0	0.1	0.1
Tradable sector	42.2	40.5	39.2	39.3	39.2	39.0	n.a	n.a
Non tradable sector	47.5	48.7	50.5	51.1	50.8	51.0	n.a	n.a
<i>of which: Building and construction sector</i>	4.9	4.9	5.0	4.3	4.1	4.1	n.a	n.a
Real effective exchange rate (index, 2000=100)	91.5	98.4	100.7	100.3	102.4	101.8	97.3	96.9
Terms of trade goods and services (index, 2000=100)	98.4	100.6	99.8	98.1	98.4	99.1	98.2	99.1
Market performance of exports (index, 2000=100)	101.9	98.7	99.4	102.4	102.4	102.8	102.5	101.9
<b>Notes:</b>								
<sup>1</sup> The output gap constitutes the gap between the actual and potential gross domestic product at 2005 market prices.								
<sup>2</sup> The indicator on domestic demand includes stocks.								
<sup>3</sup> Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed. The unemployment rate covers the age group 15-74.								
<i>Source :</i>								
<i>Commission 2015 spring forecast (COM)</i>								