

In many areas the Netherlands is in good shape

Prosperity and welfare are about more than economic growth

In November 2017 the government took office with an ambitious programme and a clear ambition: ‘Confidence in the future’. Nearly two years on, much has been achieved but there is still much to do. Confidence in the future is about prosperity in a broad sense, and is therefore about more than gross domestic product (GDP). When the economy is doing well, more people have jobs, more money is available for good healthcare and other public services, and incomes rise. But prosperity and welfare are ultimately personal things. Personal welfare largely depends on individual circumstances and choices regarding

education, work, health, housing and relationships. And the extent to which the government can influence purchasing power is outweighed by the impact of having a child, changing jobs or deciding to live with a partner. Clearly the government cannot determine these circumstances and make these choices for other people. It can, however, create the conditions for broad-based prosperity and try to improve the sources of prosperity, such as education, the economy, nature, mobility and health.



economic growth
1,5% in 2020



unemployment
3,5% in 2020



life expectancy
82 years



environment
14,5% CO₂-reduction
in 2018 relative to 1990



satisfaction
>80% satisfied with
personal financial
situation

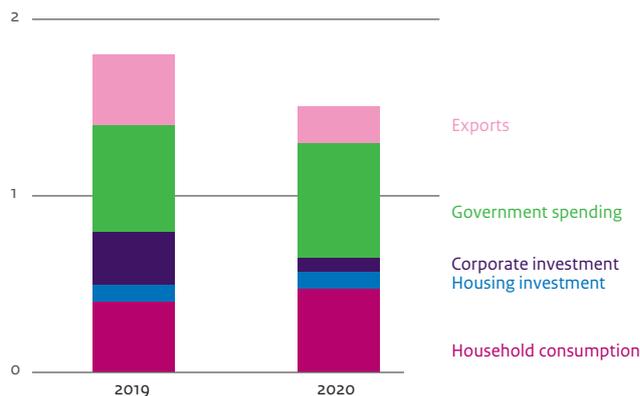
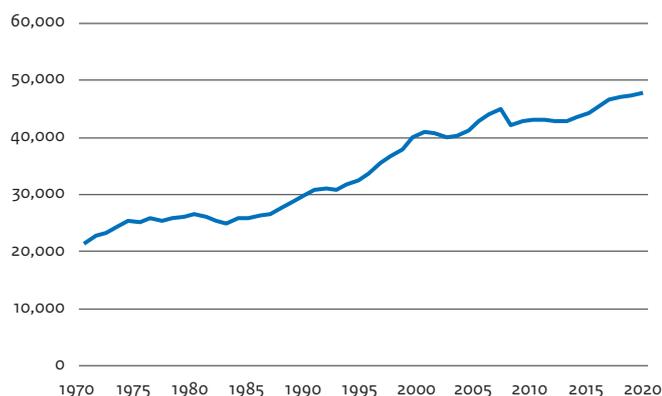
Worldwide there are risks, but in economic terms the Netherlands is now in good shape

The global economy is in a state of flux. It now looks like the long-awaited Brexit really is just around the corner, and our neighbouring countries are wrestling with low growth or contraction. The trade tensions between the United States and China are mounting and geopolitical tensions have also increased sharply in recent years.

Despite this, the Dutch economy is set to continue expanding, by 1.8% in 2019 and 1.5% in 2020. This means that the economy

is resuming a normal rate of growth. The growth is largely being generated domestically, by household consumption and government spending. The number of jobs is continuing to increase, and unemployment remains low, but will rise slightly in 2020. However, our economic development faces a number of risks. In addition to the risks from abroad, economic confidence has also declined within the Netherlands, and the economy remains sensitive to financial shocks.

Dutch GDP per capita (left, in euros) and GDP growth (right)

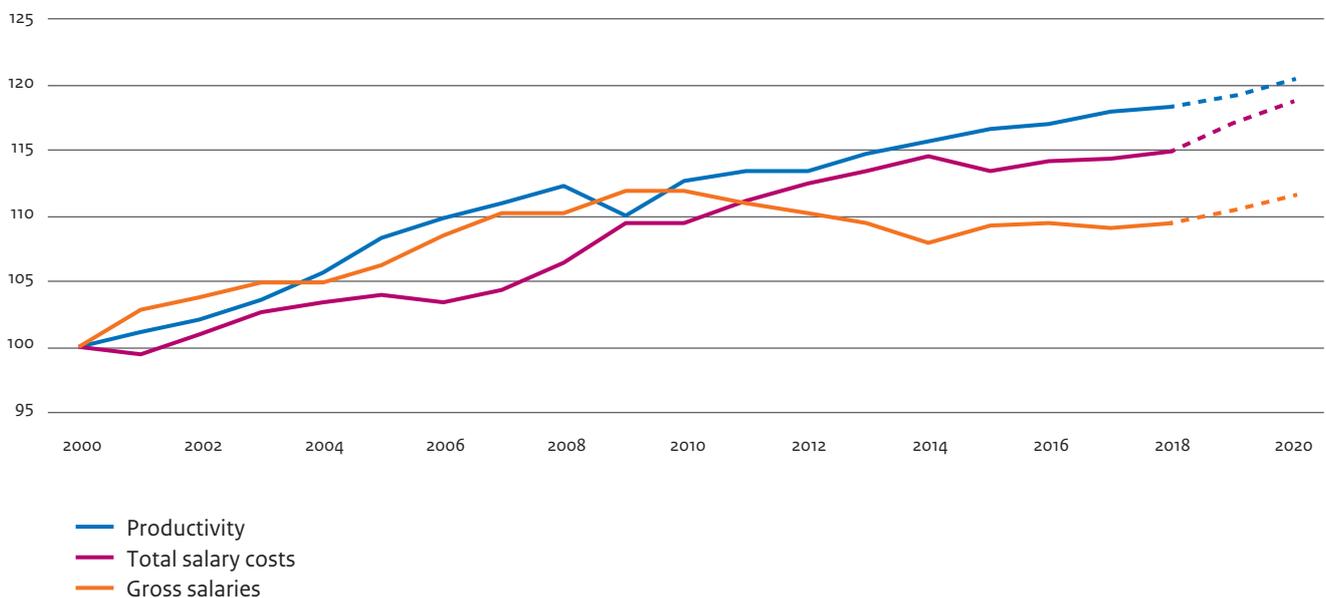


Limited growth in salaries despite a tight labour market

Collectively agreed salaries are expected to rise by 2.5% in 2019 and 2020. This means that salaries are lagging behind the economic situation, because if employers have difficulty finding staff, it would be logical for salaries to increase faster than this, in order to attract jobseekers. Salaries are also lagging behind productivity growth. This is partly because salary costs for

employers have risen, but also because gross private-sector salaries have barely increased since the crisis. Higher salary increases should therefore be awarded wherever there is scope to do so. In addition, the tax burden on households has risen since the crisis, but the government is taking measures to alleviate it.

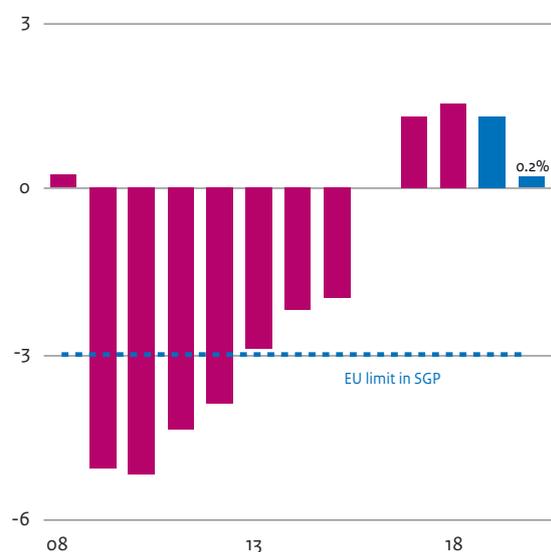
Development of productivity and real gross salaries in the private sector



Public finances are now in good shape

The budget is expected to remain in good shape in the years ahead. Next year a budget surplus is expected, though smaller than in the past few years. Nevertheless, it is noteworthy that the budget will be in surplus for the fifth year in a row. This is partly due to the good economic conditions in recent years. In addition, the national debt will fall below 50% of GDP. By ensuring healthy public finances the government is increasing the budget's resilience to economic setbacks and laying the basis for lasting prosperity.

Government balance

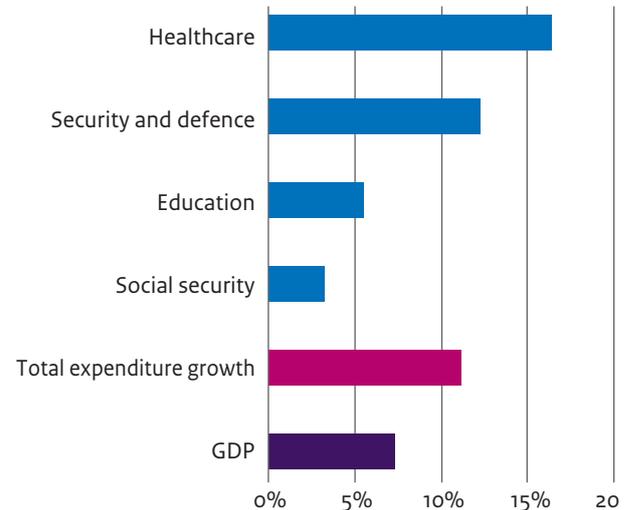


The government is strengthening public services

Although in many areas the Netherlands is in good shape, our broad-based prosperity faces a number of problems and challenges, both now and in the future. That is why the government is taking measures on various fronts. It is investing in public services, limiting the tax burden, and has concluded a Pension Agreement and a National Climate Agreement. Priority will be given to implementing these agreements in the years ahead.

The coalition agreement call for significant investments in public services, including healthcare, education, defence and the police. Some of these investments have already been made and others will be made in the coming years. In addition, the cost of healthcare is expected to increase by over 15% between 2017 and 2021. As a result, premiums will rise, but this will ensure high-quality care that is accessible to everyone in the Netherlands. The demand for healthcare and the associated cost will keep increasing, partly due to demographic ageing. This puts pressure on the affordability and organisation of healthcare services.

Growth in spending volume from 2017 to 2021



In 2020 the government will make new investments and limit taxes

On top of the measures set out in the coalition agreement, long-term investments are being made to tackle bottlenecks. For instance, more resources are being allocated to the asylum and migration system and to meeting NATO capability targets. Extra funds will also be made available for youth care so that municipalities can continue delivering good-quality services. The government has also decided to phase out gas extraction even faster. Gas extraction will be reduced to below the level deemed safe by the State Supervision of Mines as soon as possible. In addition to these spending measures,

the government is taking additional steps to reduce the tax burden on households by €3 billion on a structural basis. This package will reduce the tax differences between self-employed persons and employees, without the self-employed becoming worse off during the government's term of office. This is because self-employed persons will also benefit from the higher employment tax credit and other government measures to cut taxes. In addition, the tax on energy bills will be reduced. Thanks in part to the government's measures, households are expected to be better off in 2020.



defence/NATO
51 million



youth care
300 million



asylum and
migration
134 million



household
purchasing
power
+2,1%



housing market
350 million



justice
61 million

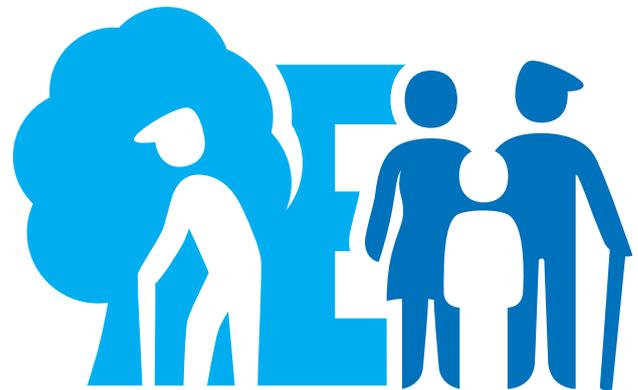
The National Climate Agreement will ensure a sustainable Netherlands

In the coalition agreement, the government announced its ambition to achieve a 49% reduction in greenhouse gas emissions by 2030, compared with 1990 levels. Last year, with this in mind, the government worked with over 100 parties to agree a package of proposals on the built environment, mobility, industry, electricity and agriculture. By implementing the National Climate Agreement, the government will meet its reduction target in a way that is as affordable as possible and shares the cost equitably.



The Pension Agreement will future-proof Dutch pensions

Over the past decade, the increase in life expectancy and developments in the labour and financial markets have exposed the vulnerability of the pension system. The government has worked closely with its partners to agree reforms that will make the system more robust and better geared to individual needs. At the same time the strengths of our pension system will be retained. As well as reforming the 'second pillar' (occupational pension schemes), the government and its partners have made agreements to ensure that working people in the Netherlands are still in good health by the time they retire. These agreements cover matters such as sustainable employability, early retirement and a slower rise in the state pension age.



Investing in the future

Various developments are putting the Netherlands' earning capacity under strain. Factors like demographic ageing, lower productivity growth and new technologies mean that Dutch society and the economy will look different in the future than they do today. To prepare the Netherlands for these developments, the government is exploring ways to step up investment in knowledge development, research & development and innovation, and infrastructure. In this way, we are working to safeguard our prosperity – not only today, but also in the years ahead.

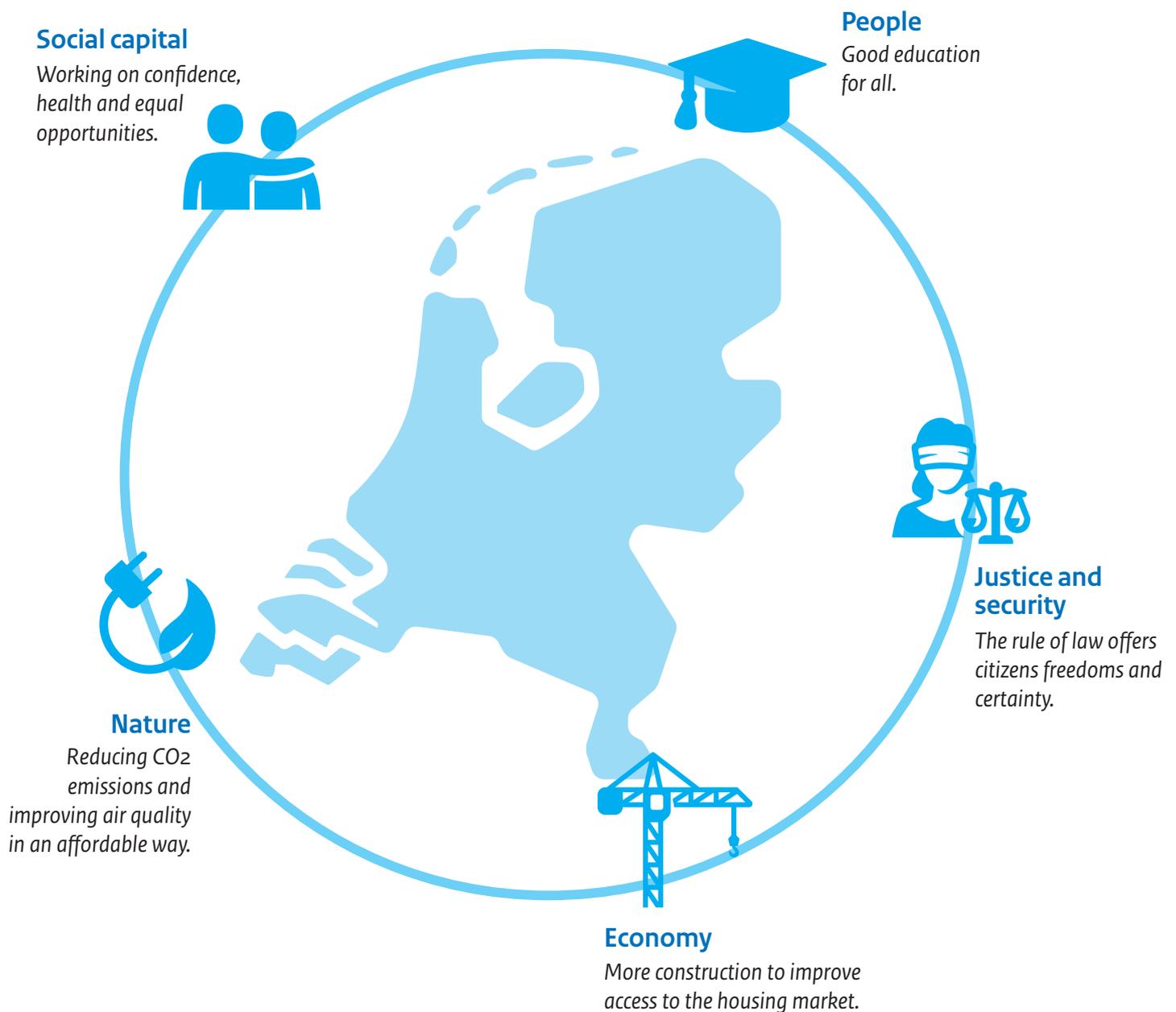


Strengthening future sources of prosperity

Challenges and opportunities for the Netherlands

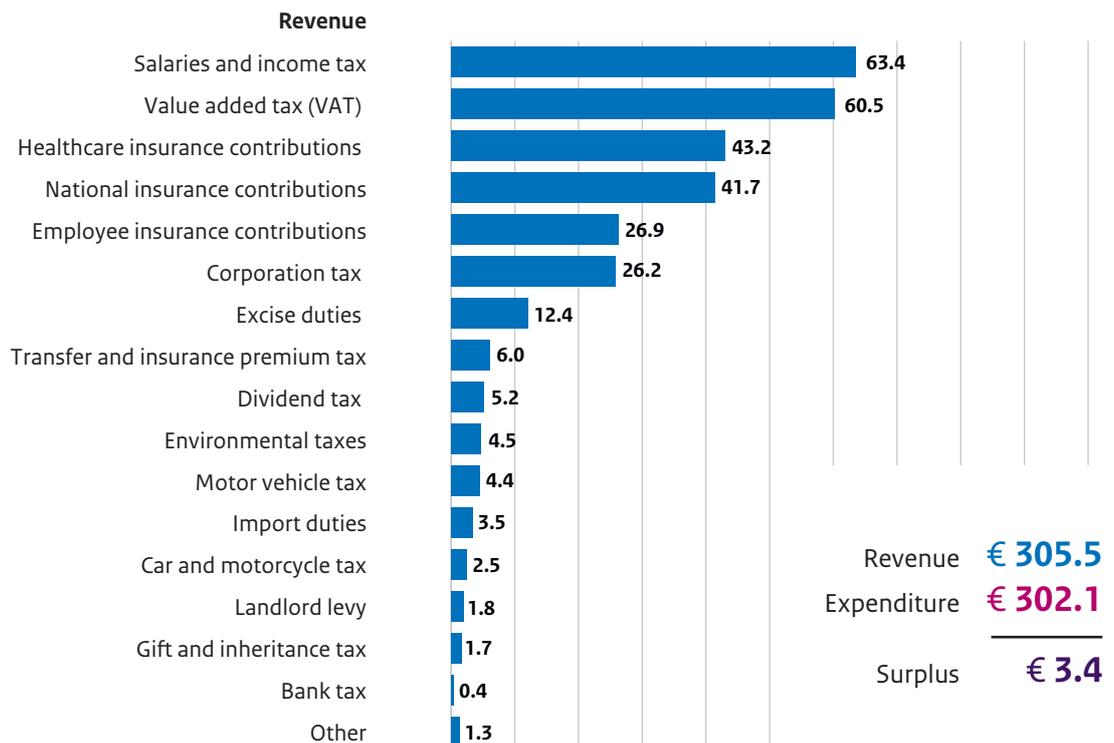
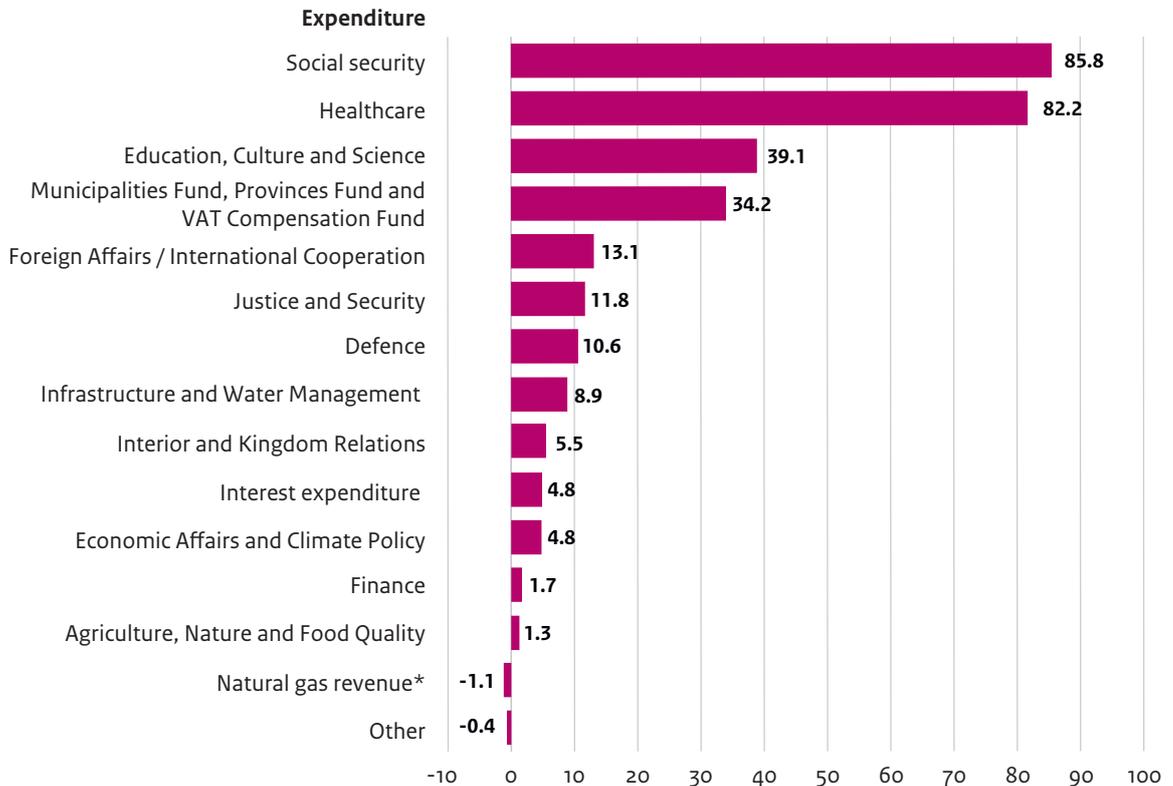
How the Netherlands' broad-based prosperity develops in the future depends on its human, economic, natural and social capital. A prerequisite is that we preserve peace, security, democracy and the rule of law. The government is taking steps to bolster future prosperity through investment and reforms.

It is also exploring where the biggest challenges and opportunities lie and what action can be taken. After all, the sources of our prosperity will always be subject to change and challenges. That is why the Social Reassessment operation was launched.



Overview of central government revenue and expenditure in 2020

In billions of euros



*Natural gas revenue is not tax or social-insurance revenue and, like other non-tax revenue, therefore appears on the expenditure side.