

19 September 2017

2018 budget will comply with the European fiscal rules

It is expected that the Dutch government budget for 2017 and 2018 will comply with the European fiscal rules. According to the estimates in the 2018 Macroeconomic Outlook of the Netherlands Bureau for Economic Policy Analysis (CPB), the Dutch economy continues to show a solid growth this year as well as next year and the public finances are performing favourably. The budget is in surplus and the national debt is decreasing. However, the Dutch economy and public budget has certain risks and the picture of public finances may change rapidly, as evidenced by the experience of the past fifteen years. This is all the more reason to keep a suitable distance from the medium-term objectives that follow from the European budgetary rules.

This can be read in the September 2017 Budget Supervision Report, which was published today by the Advisory Division of the Council of State (19 September 2017). This report includes an assessment whether the budget complies with the European fiscal rules by which the Netherlands is bound. The Advisory Division is the body which independently monitors compliance with the rules of the European Stability and Growth Pact in the Netherlands. In order to fulfil this role adequately, the Advisory Division aligns with the most important moments in the budget cycle. It publishes a spring report on the Stability Programme in April and a report on the Budget Memorandum and the budget in September.

Policy for 2018

As the formation of a new cabinet had not been completed at the moment of establishing the budget for 2018 and the governing cabinet is therefore a caretaker cabinet, the budget for 2018 contains little new policy. A new coalition agreement is still awaited, which will certainly have consequences for the budget of next year. The Advisory Division will therefore publish a separate, interim assessment of the budget after the new coalition agreement has been incorporated in the budget and in the long-term figures.

Period of economic growth

The Netherlands is experiencing a period of economic growth. The growth is above expectations, so that employment is on the rise and unemployment is dropping. It is expected that the national debt will be below the standard of 60% of the gross domestic product in 2017 and 2018. The other European fiscal rules will also be complied with.

Uncertainties in the estimates

The Dutch economy has shown a rather mixed picture in recent years. It has also proven difficult to estimate the budget balance and government debt. This sometimes resulted in budget cuts, also in order to comply with the European fiscal rules. In retrospect, this was not always necessary to this extent. These interventions may result in administrative, political and social unrest and are therefore undesirable. Hence the Advisory Division repeats its comment from the 2017 spring report that a suitable distance must be kept in a new cabinet period from the medium-term objectives that follow from the European fiscal rules.

[Here](#) you can read the full text of the September 2017 Budget Supervision Report.