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Public finances worsen, but remain within European limits

Dutch public finances complied with European fiscal rules in 2017. Dutch public finances are also expected to remain within the European fiscal rules in 2018 and 2019. But the government's expansionary budgetary policy is expected to worsen public finances. This is not to expected in times of economic upturn. Furthermore, the reduction of the production of natural gas mean that the agreed lower limit for the structural budget balance is in sight. The government should therefore conduct a current risk analysis and include this in the Budget Memorandum 2019.

This is according to the Spring Report on Fiscal Monitoring published today (13 April 2018) by the Advisory Division of the Council of State. This report includes an assessment as to whether public finances in the previous year and in the coming years comply with the European fiscal rules. The Advisory Division of the Council of State is assigned as the body that maintains independent supervision in the Netherlands on compliance with the fiscal rules agreed upon in the European Stability and Growth Pact. In order to perform this task effectively, the Advisory Division makes its work correspond to key moments in the budget cycle. In April, the Advisory Division publishes the Spring Report on the Stability Programme. On budget day, in September, it reports on the Budget Memorandum and departmental budgets.

Economic growth and economic upturn

According to the most recent forecast from the Netherlands Bureau for Economic Policy Analysis (CPB), the Dutch economy continues to see robust growth in this and the next year, with strong growth figures such as the economy has not seen for a long time. These growth figures see the Dutch economy performing better than the eurozone as a whole. Government debt is falling as a consequence of a budget surplus, the sale of shares in various financial institutions and the strong economic growth. But despite the economic upturn, public finances see no further improvement in 2018 and 2019. The budget surplus for both years is lower than in 2017. This is due to the expansionary budgetary policy.

Increase in public expenditure

Public expenditure will further increase in the years ahead. This is due in particular to substantial additional expenditure on defence, infrastructure and healthcare. Although public finances are expected to remain within the limits of the European fiscal rules, they will worsen as a result. This should not be expected in times of economic upturn. And if gas production is further limited in the coming years, the lower threshold for the structural budget balance will come into view. The Advisory Division thus advises the government to better chart the risks, for example in the Budget Memorandum 2019. Finally, it advises the government to make reports to the Senate and House of Representatives on the development of government revenue clearer. The terms used are complex and the figures are not easy to interpret.

Read the complete text of the 2018 Spring Report on Budgetary Monitoring here.