INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/197

KINGDOM OF THE NETHERLANDS—THE NETHERLANDS

July 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE KINGDOM OF THE NETHERLANDS—THE NETHERLANDS

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Netherlands, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 16, 2025, consideration of the staff report that concluded the Article IV consultation with the Kingdom of the Netherlands—The Netherlands.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 16, 2025, following discussions that ended on May 20, 2025, with the officials of the Kingdom of the Netherlands—The Netherlands on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 1, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for the Kingdom of the Netherlands—The Netherlands.

The document listed below will be separately released.

- **Selected Issues**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2025 Article IV Consultation with Kingdom of the Netherlands–the Netherlands

FOR IMMEDIATE RELEASE

- Domestic demand is projected to drive growth even as trade tensions affect momentum, and growth is expected to reach 1.1 and 1.2 percent in 2025 and 2026. Downside risks dominate, mainly from escalation of trade tensions and domestic policy uncertainty.
- Fiscal policy should pivot from stimulating demand to expanding supply, by investing in infrastructure, education, and R&D, fostering investment to increase the housing supply, and implementing growth-enhancing tax reforms.
- Reforms should aim to address growth bottlenecks from nitrogen and electricity grid congestion, increase labor input and firm productivity, expand the availability of SME financing, and effectively manage the green and demographic transitions.

Washington, DC – July 21, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV consultation for Kingdom of the Netherlands–the Netherlands on July 16, 2025.[1]

The Dutch economy is among the most developed globally and has drawn strength from integration in global value chains. It has weathered shocks well, yet its resilience is being tested, again—this time by a confluence of trade tensions and domestic policy uncertainty. The economy is at capacity, with elevated inflation, and facing binding constraints in the labor market, housing, emissions space, and the electricity grid. Futureproofing the economy will require policies that tackle these bottlenecks and align with a long-term vision for sustainable growth.

Domestic demand will drive growth, supported by solid household purchasing power, even as trade tensions affect momentum and dampen external demand, investment, and confidence. Inflation is expected to continue to moderate and converge to target in late 2026. Amid high uncertainty, downside risks dominate from further escalation of trade conflicts and a prolonged political impasse.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors welcomed the Dutch economy's resilience to recent shocks, underpinned by strong fundamentals. They noted, however, downside risks—stemming from rising trade tensions and domestic policy uncertainty—as well as increasingly binding structural constraints. While domestic demand is expected to support growth, elevated uncertainty will likely dampen external demand and hold back investment. Directors encouraged implementing supply-side policies and reforms to boost productivity, tackle bottlenecks, and enhance sustainable, long-term growth.

Directors concurred that fiscal policy should pivot from stimulating demand to increasing supply, given that real household incomes now exceed pre-pandemic levels, and the economy is operating at capacity amid elevated inflation. They emphasized the importance of boosting supply capacity by investing in infrastructure, education, R&D, fostering private investment in housing, and implementing growth-enhancing tax reforms. In this regard, implementing the capital taxation reform and further rationalizing tax expenditures would also reduce distortions and enhance efficiency and equity. While noting the Netherlands' strong fiscal position, Directors agreed that addressing medium-term spending pressures through structural fiscal reforms in pensions, health care and climate would increase room to maneuver.

Directors welcomed the financial system's resilience, supported by ample buffers. Noting that risks are elevated and have risen, they emphasized the need for continued vigilance, including during the pension fund transition. Directors also encouraged closely monitoring the residential real estate market and recalibrating borrower-based macroprudential measures as needed. Increasing housing supply is key to boost affordability, facilitate access to the property ladder, and reduce banking and insurance risks from mortgage exposures. Directors supported ongoing efforts to adapt supervisory approaches to evolving risks, and to ensure supervisory authorities' access to granular data and operational readiness of resolution plans and crisis preparedness and management—in line with 2024 FSAP recommendations.

Directors urged the authorities to address critical bottlenecks to growth. In this regard, they emphasized the importance of developing a strategy to reduce nitrogen depositions and accelerating plans to address electricity grid congestion.

Directors emphasized that structural reforms complementary to EU initiatives are needed to support productivity, human capital, and potential growth. Reforms that help boost investment would also contribute to rebalancing the external position. Directors underscored the need for labor and human capital reforms to improve educational outcomes and vocational training, reduce labor market duality, and better integrate migrants. They highlighted other productivity-boosting measures including enhancing business dynamism, encouraging productivity-enhancing investment through improved access to finance for SMEs, and promoting productivity spillovers. Directors supported assessing and managing the distributional impacts of climate policies, including through the existing tax-benefit system, to secure public support for climate reforms.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:
http://www.IMF.org/external/np/sec/misc/qualifiers.htm

Table 1. The Netherlands: Selected Economic Indicators, 2023–26
(Growth rates in percent, except where otherwise indicated)

	2023	2024	2025 Proj.	2026 Proj.
National accounts				
Gross domestic product	0.1	1.0	1.1	1.2
Private consumption	0.8	1.2	1.1	1.3
Public consumption	2.9	3.6	2.0	1.0
Gross fixed investment	1.3	-0.5	0.3	1.2
Exports of goods and services	-0.5	0.4	0.6	1.6
Imports of goods and services	-1.7	0.3	1.0	1.8
Domestic demand (contribution to GDP growth)	-0.8	0.9	1.3	1.2
External demand (contribution to GDP growth)	0.9	0.1	-0.2	0.0
Output gap (percent of potential output)	1.4	0.7	0.2	0.0
Prices				
Consumer price index (HICP), period average	4.1	3.2	3.0	2.4
Consumer price index (HICP), end-of-period	1.1	4.0	2.5	2.0
Consumer price index (HICP), core, period average 1/	7.3	3.5	3.6	2.5
Consumer price index (HICP), core, end-of-period 1/	3.8	4.4	2.9	2.0
GDP deflator	7.3	5.2	2.7	2.2
Employment				
Employment	2.0	0.6	0.2	0.1
Unemployment rate (percent, ILO definition)	3.6	3.7	3.8	4.0
Balance of Payment (percent of GDP)				
Trade balance (goods)	8.0	8.7	8.0	7.8
Current account balance	9.9	9.9	10.1	9.9
General government accounts (percent of GDP)				
Revenue	42.8	43.0	42.8	43.0
Expenditure	43.2	44.0	45.0	46.0
Net lending/borrowing	-0.4	-0.9	-2.2	-3.0
Primary balance	0.1	-0.4	-1.6	-2.3
Structural balance 2/	-0.5	-1.4	-2.4	-2.3
Structural primary balance 2/	0.2	-0.7	-1.7	-1.5
Cyclically-adjusted balance 2/	-1.2	-1.4	-2.4	-3.0
General government gross debt	45.2	43.3	43.8	45.3

Sources: Dutch official publications, IMF, IFS, and IMF staff calculations.
1/ Core defined as headline inflation excluding energy and unprocessed food.
2/ In percent of potential GDP.

INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—THE NETHERLANDS

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

July 1, 2025

KEY ISSUES

Context. The Dutch economy is among the most developed globally and has drawn strength from deep integration in global value chains. It has weathered shocks well, yet its resilience is being tested, again—this time by a confluence of trade tensions and domestic policy uncertainty. The economy is at capacity, with elevated inflation, and increasingly binding constraints in the labor market, housing, emissions space, and the electricity grid. Futureproofing the economy will require policies that tackle these bottlenecks and align with a vision for sustainable long-term growth.

Outlook and Risks. Domestic demand will drive growth, supported by solid household purchasing power, even as trade tensions affect momentum and dampen external demand, investment, and confidence. Inflation is expected to continue to moderate and converge to target in late 2026. Downside risks from escalation of trade conflicts and a prolonged political impasse dominate.

Key Policy Recommendations

- Fiscal Policy. Fiscal policy should pivot from stimulating demand to expanding supply, by investing in infrastructure, education, and R&D, fostering investment to increase the housing supply, and implementing growth-enhancing tax reforms. To tackle medium-term spending pressures, structural fiscal reforms (pensions, health) are needed.

- Financial Sector. Financial oversight should continue to adapt to the changing global environment and financial landscape. Increased financial market volatility amid heightened trade tensions and uncertainty poses significant liquidity risk to NBFIs and warrants continued close monitoring. Financial sector policies should help cool the overheated residential real estate market, and continue to proactively ensure operational readiness of resolution plans and crisis preparedness and management in line with 2024 Financial Sector Assessment Program (FSAP) advice.

- **Structural.** Reforms, complementary to EU initiatives, should increase labor input and firm productivity, address growth bottlenecks from nitrogen and electricity grid congestion, expand availability of SME financing, and effectively manage the green and demographic transitions.

Approved By:
Mark Horton (EUR) and Jacques Miniane (SPR)

Discussions took place during May 7–20, 2025. The team comprised F. Bornhorst (head), N. Budina, K. Coulibaly and S. Kotera (all EUR). S. Black, A. Garcia Huitron, I. Parry, S. Singh and N. Vernon (all FAD) joined some meetings virtually. M. van Rij (Alternate Executive Director, OEDNE) and M. van Aarnhem (Advisor, OEDNE) participated in the meetings. The team met with Dutch National Bank (DNB) President K. Knot, Finance Minister (now in caretaker capacity) E. Heinen, other officials from the DNB and Ministries of Finance, Economic Affairs, Climate and Green Growth, Housing and Spatial Planning, Social Affairs and Employment, and Interior, government entities, think tanks, representatives of labor unions and employers, and private sector institutions. The team was assisted by S. Previde and B. Plein (all EUR).

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ANNEXES

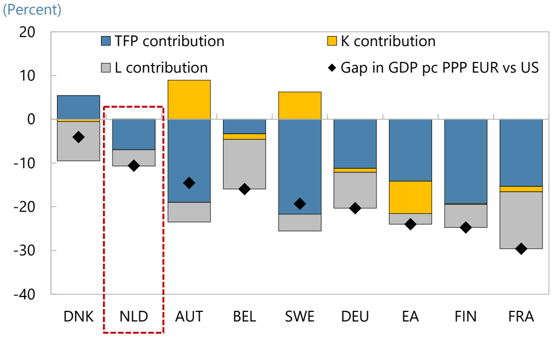
CONTEXT

1. **The Dutch economy is among the most developed globally but preserving its standing amid rising trade tensions will require investment, reforms, and resolve.** Deep integration in global value chains has boosted high-tech manufacturing, chemicals, petroleum refining, and agriculture. While the economy weathered recent external shocks well, trade tensions and geoeconomic fragmentation are again testing its resilience. The economy is operating at capacity and inflation is elevated as increasingly binding constraints—in the labor market, housing, emissions space, and the electricity grid—are limiting its ability to grow and adapt. Futureproofing the economy will require policies that tackle these bottlenecks, expand supply capacity, and align with a vision for long-term sustainable growth.

Figure 1. The Netherlands: Productivity Gap and Trade Exposure to the U.S.

The Netherlands' GDP per capita is among the highest in Europe…

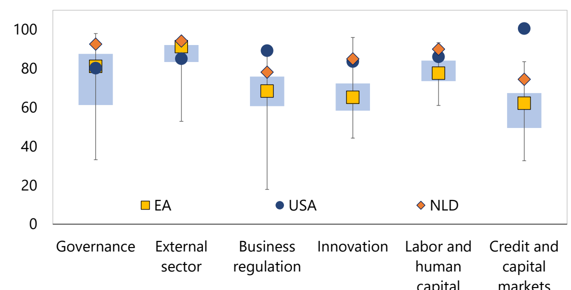
GDP per Capita Gap Between Europe to US, 2024
(Percent)



Sources: AMECO, WEO, and IMF staff calculations.
Note: EA is calculated as a simple average.

…and it is at or near the global productivity frontier.

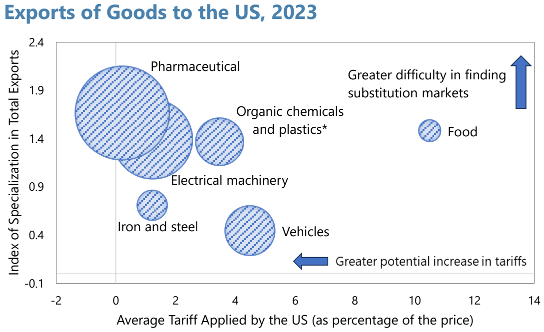
Distance to Frontier in Macrostructural Areas, 2022
(Percent, relative to global frontier)



Sources: Fraser Institute, OECD, GTA, Eurostat, Berkeley, IMF, World Bank, and IMF staff calculations.
Notes: The data includes all European countries . The whiskers represent the range between the minimum and maximum values, while the bars indicate the interquartile range, spanning from the 25th to the 75th quartile.

Market substitution is difficult for pharmaceuticals and electric machinery and transport equipment…

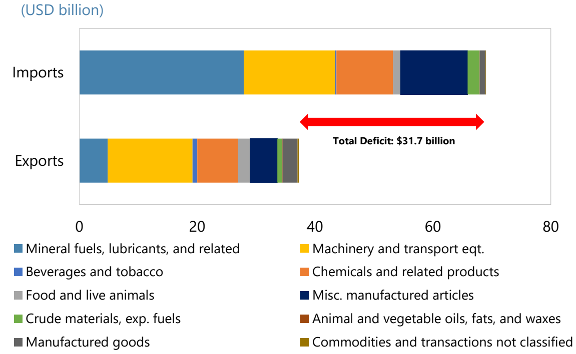
Exports of Goods to the US, 2023



Sources: World Trade Organization, Haver Analytics, and IMF staff calculation.
Note: The size of the circle denotes the weight of each product group in The Netherlands' total exports to the US. Organic chemicals and plastics are combined by calculating average tariff and weight shown. The average applied tariff of plastics is 4.2 and organic chemicals is 2.7.

…the two largest export value and highest value-added product categories.

The Netherlands-US Trade of Goods Structure, 2023
(USD billion)



Source: Comtrade.

2. **Following the collapse of the government, domestic policy uncertainty has increased.** The four-party coalition, in office for less than a year and struggling to balance diverging priorities on budgetary, migration, agricultural, climate, and energy policies, collapsed early June. A caretaker

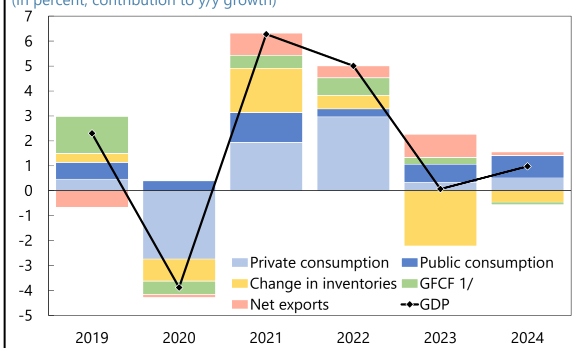
government will be in office until a new coalition is formed after the elections on October 29. Caretaker governments in the Netherlands retain administrative authority, with Parliament directing areas in which the government should actively pursue policies. Policy uncertainty has increased, including as the past two coalition governments took extended periods to form. Achieving consensus and advancing reforms will be important for strengthening policy predictability and addressing underlying structural challenges.

RECENT ECONOMIC DEVELOPMENTS

3. **Domestic demand is driving growth, even though the economy lost momentum in early 2025.** After flat growth in 2023, output grew by 1.0 percent in 2024, driven by higher public and private consumption. Private investment fell amid still-high interest rates. Net exports were barely positive, reflecting weak demand and fast import growth. The economy expanded by a modest 0.1 percent in 2025Q1 (q/q) as household consumption, investment, and net exports faltered.

Real GDP Growth Contributors

(In percent; contribution to y/y growth)

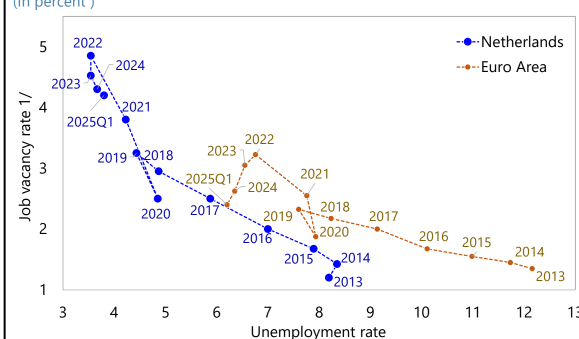


Sources: Haver Analytics; and IMF staff calcualtions.
1/ GFCF = gross fixed capital formation.

4. **While easing, the labor market remains tight, generating wage pressures** (Figure 2). At 3.8 percent, the unemployment rate is among the lowest in the euro area (EA) (2025Q1). Job vacancies per unemployed and the job vacancy rate in nearly all sectors are among the highest in the EA, although indicators have signaled some easing with vacancy rates decreasing and unemployment edging up (text chart). Wage growth remains high (5.3 percent nominal, 1.9 percent real, 2025Q1). While the real wage gap vis-à-vis the pre-inflationary period has yet to close, real disposable income has remained above pre-inflationary levels, sustained by social benefits and transfers in kind.

Beveridge Curves

(In percent)



Sources: Haver Analytics; EUDATA; and IMF calculations.
1/ Job vacancy rate for industry, construction, and services.

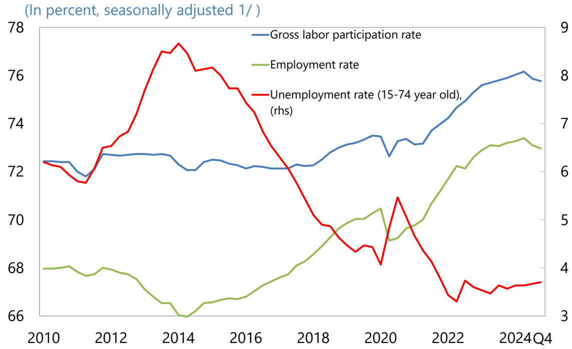
5. **The fiscal deficit was lower than expected in 2024.** Public investment underspending and strong revenue collections contributed to large fiscal overperformance of about 2 percent of GDP (Figure 3, Annex VII). As a result, the fiscal stance in 2024 was broadly neutral, as recommended by staff (Annex VI), and fiscal policy was counter-cyclical, even if not intentionally.

Figure 2. The Netherlands: Labor Market and Wage Developments

Unemployment is low and labor force participation is high.

Dutch Labor Market

(In percent, seasonally adjusted 1/)

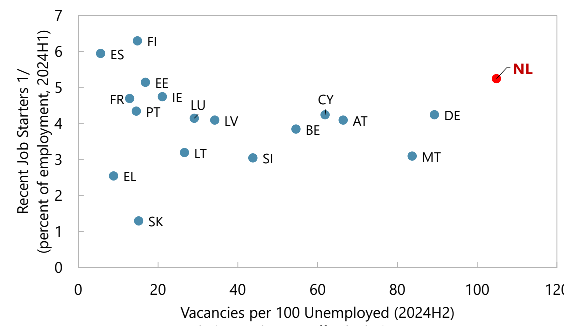


Source: Haver Analytics; and IMF staff estimates and calculations.
1/ ILO definition.

Despite the high ratio of job starters, the number of vacancies per unemployed is the highest in the EA,...

Vacancies and Job Starters

(Selected EA countries)

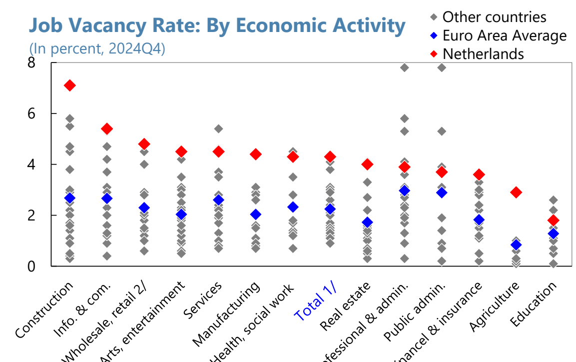


Sources: Eurostat, Haver Analytics, and IMF staff calculations.
1/Persons who have started their employment in the last 3 months

...and vacancy rates are among the highest in the EA across all sectors.

Job Vacancy Rate: By Economic Activity

(In percent, 2024Q4)

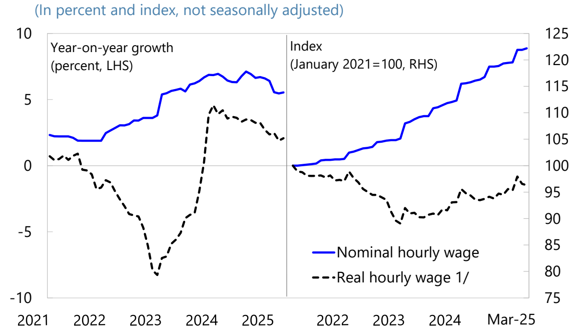


Sources: EUROSTAT; and IMF staff calculations.
1/ Total refers to industry, construction, and services (except activities of households as employers and extra-territorial organizations and bodies).
2/ Includes wholesale, retail trade, transport, accomodation, and food services.

This supports strong nominal wage growth, even as real wages have yet to reach pre-inflationary levels.

Hourly Wage

(In percent and index, not seasonally adjusted)

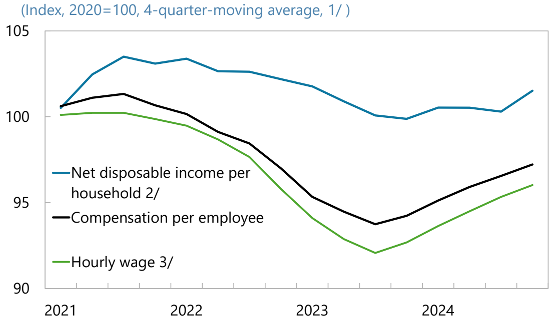


Sources: Haver Analytics; and IMF staff calculations.
1/ Hourly wage including special payments. Real wage deflated by adjusted HICP, calculated using research price indeces published by the CBS, which take into account the structural break in June 2023.

Real disposable income, however, remained above pre-inflationary levels...

Real Wage and Disposable Income Growth

(Index, 2020=100, 4-quarter-moving average, 1/)

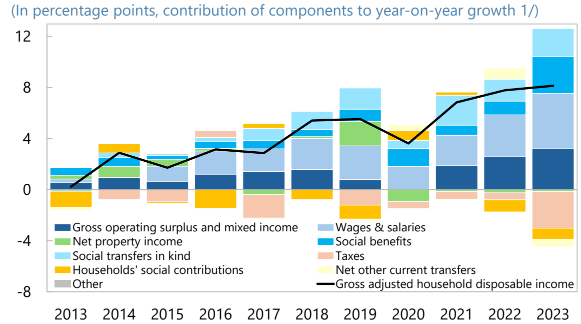


Sources: Haver Analytics; CBS; and IMF staff calculations.
1/ All series deflated by the HICP inflation rate adjusted for the structural break in June 2023.
2/ Calculated as net disposable income of households and NPISH divided by the number of private households.
3/ Hourly wage excluding special payments.

...sustained by social benefits and transfers in kind.

Gross Adjusted Household Disposable Income Growth

(In percentage points, contribution of components to year-on-year growth 1/)

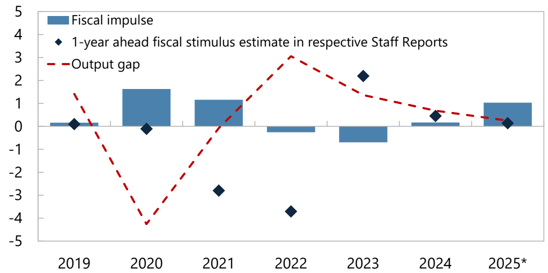


Sources: Eurostat; and IMF staff calculation.
1/ In addition to remuneration of employees, adjusted disposable income includes other types of income, such as pensions, social benefits, income from self-employment, and income from assets, as well as social transfers in kind (e.g., education and health services).

Figure 3. The Netherlands: Fiscal Developments

Contrary to budget plans, ex post fiscal policy was counter-cyclical…

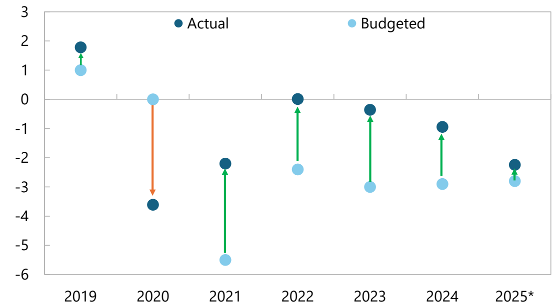
Fiscal Impulse
(Percent of potential GDP)



Sources: CBS and IMF staff calculations.
Notes: Fiscal impulse is calculated as the annual change in the cyclically adjusted balance. Since there was no SR in 2020, the published data from the October 2020 WEO was used for 2021. Data for 2025 reflects IMF's staff projections.

…reflecting large deviations between budgets and outturns.

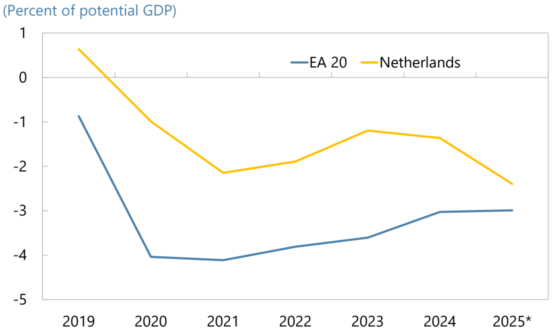
Goverment Balance: Budgeted vs. Actual
(Percent of GDP)



Sources: Ministry of Finance, CBS, and IMF staff projections.
Note: Actual balance data for 2025 reflects the IMF's staff projections.

Fiscal balances are well above EA average.

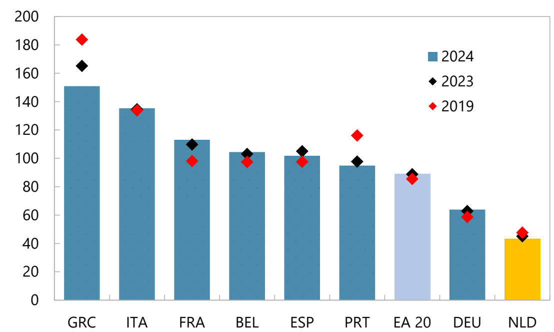
Cyclically Adjusted Balance
(Percent of potential GDP)



Sources: IMF's *World Economic Outlook*.
Note: Data for 2025 reflects the IMF's staff projections.

Public debt has remained at pre-pandemic levels and is among the lowest in Europe.

Public Debt
(Percent of GDP)



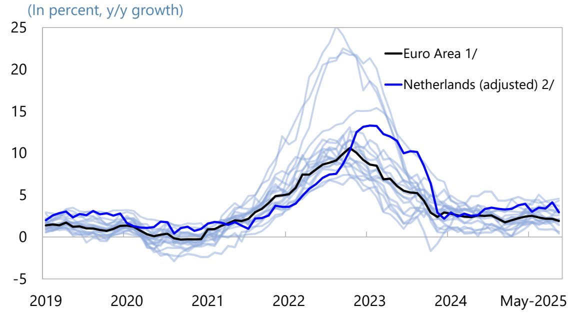
Source: IMF's *World Economic Outlook*.

6. **Inflation is elevated and the economy is operating at capacity** (Figure 4). Headline inflation reached 3.0 percent (y/y) in May, above the EA average (1.9 percent). Core inflation—excluding energy and unprocessed food—was also elevated at 3.2 percent (EA average: 2.4 percent). Domestic factors are driving this, including elevated services inflation (2.8 percent) supported by robust wage growth, indirect tax increases (+0.7 ppt in 2024), and pass-through of inflation to regulated prices (e.g. rent and education fees; +0.2 ppts in 2024). Corporate profits remain healthy and above that of trading partners, indicating remaining capacity to absorb some cost increases. Consistent with a tight labor market and binding growth constraints, the output gap is positive (0.7 percent in 2024).

Figure 4. The Netherlands: Inflation Developments

HICP inflation is easing but remains higher than in most EA countries.

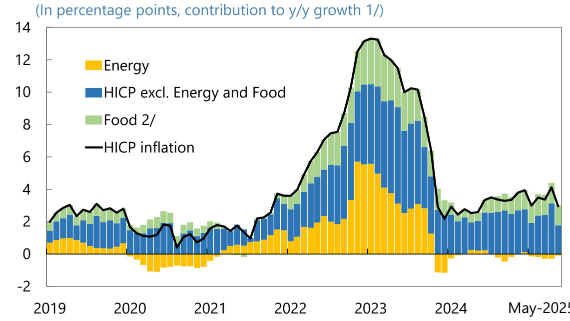
HICP Inflation in the Euro Area
(In percent, y/y growth)



Source: Haver Analytics, and IMF staff estimates and calculations.
1/ Euro Area MUICP, which is the Monetary Union Index of Consumer Prices of 19 countries.
2/ Calculated based on the research price indices published by the CBS that take into account the structural break in the series in June 2023.

While the contribution of energy prices has declined, inflation remains sticky mainly due to service prices.

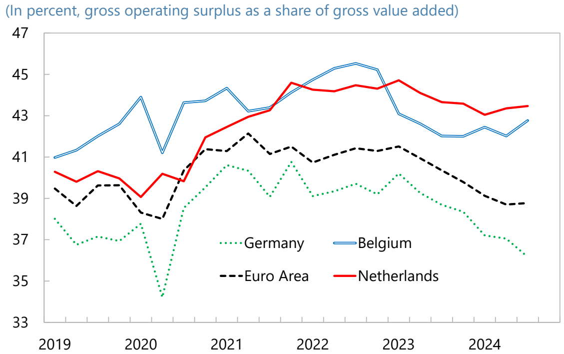
Adjusted HICP Inflation
(In percentage points, contribution to y/y growth 1/)



Sources: Haver Analytics; CBS; and IMF staff estimates and calculations.
1/ HICP series are adjusted to account for the methodological change in calculating energy prices in June 2023 and are based on the research price indeces published by the CBS.
2/ Includes food, beverages, tobacco.

Despite some slowdown, corporate profits remain high and above that of main trading partners.

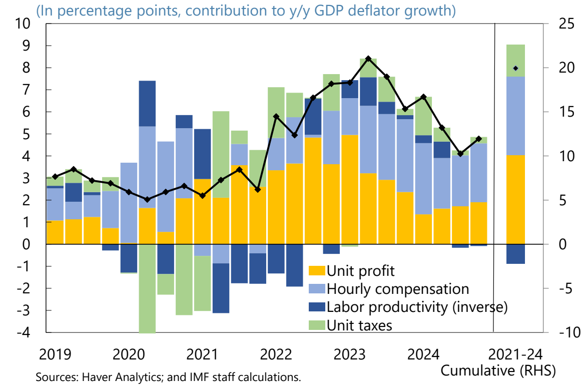
Non-Financial Corporations: Profits Ratio
(In percent, gross operating surplus as a share of gross value added)



Sources: Haver Anlytics; and IMF staff calculations.

Contribution of wages and corporate profit margins to domestic inflationary pressures declined in 2024.

GDP Deflator Decomposition
(In percentage points, contribution to y/y GDP deflator growth)



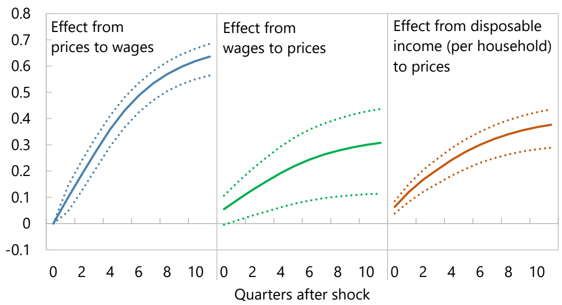
Sources: Haver Analytics; and IMF staff calculations.

7. The risk of continuing wage-price pressures appears contained, although disposable income growth could contribute to inflation persistence (Figure 5). Inflation expectations have moved broadly in line with the EA, but higher inflation presents a risk. Empirical analysis indicates a high pass-through from prices to wages—65 percent after three years. Conversely, the pass-through from wages to prices is more muted and uncertain, suggesting a low risk of unstable wage-price dynamics. Nevertheless, inflation persistence could emerge from disposable income; not only does it exhibit higher growth than wages, analysis also suggests a potentially higher pass-through to prices.

Figure 5. The Netherlands: Wage-Price Pass-Through and Inflation Expectations

Effect from disposable income to prices could be higher than that from wages.

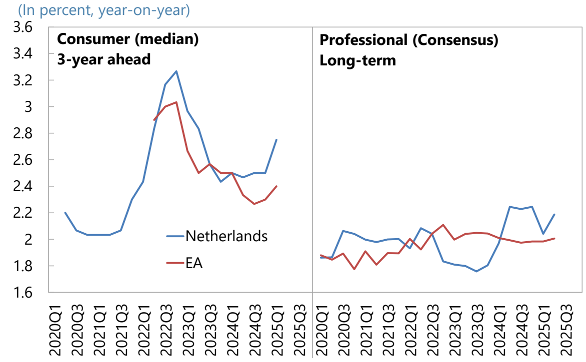
Interaction Between Prices and Wages/Income
(Pass-through ratio from prices to wages or wages/income to prices)



Sources: Haver and IMF staff estimation.
Note: Baysian VAR with conjugate Minnesota prior, based on the settings by Bobeica et al. (2021). The dotted lines indicate 16th and 84th percentiles.

Inflation expectations have moved in line with the EA, and MT inflation expectations seem to be anchored.

Inflation Expectations
(In percent, year-on-year)



Sources: Haver Analytics, Consensus Forecasts, and IMF staff calculations.

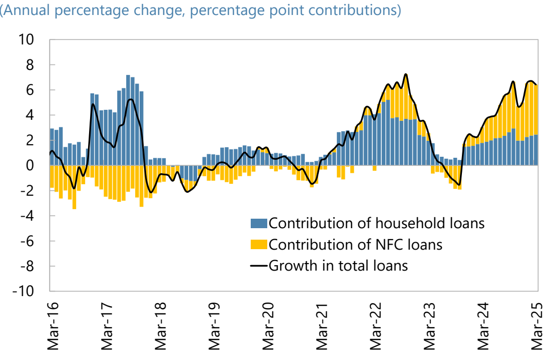
8. **Credit demand and lending growth have rebounded, supported by easing financial conditions and lower interest rates** (Figure 6). Corporate credit growth tripled (from 3.2 percent in March 2024 to 10.3 percent y/y in March 2025), benefitting from ECB policy rate cuts and a moderation in the price of risk that translated into lower borrowing costs. Financial conditions are expected to remain neutral in the near term.

9. **Banking, insurance, and pension fund fundamentals remain sound** (Figure 7). Banks are well capitalized and liquid. Bank profits remain robust and loan delinquencies low, despite a pick-up in corporate bankruptcies which reflects normalization following phasing out of pandemic support. The insurance sector remains profitable and solvent. Funding ratios of occupational pension funds have ebbed as interest rates fell but stood comfortably at 120 percent, on average, at end-2025Q1.

Figure 6. The Netherlands: Financial Conditions and Credit Developments

Credit to corporates increased significantly in 2024–25Q1…

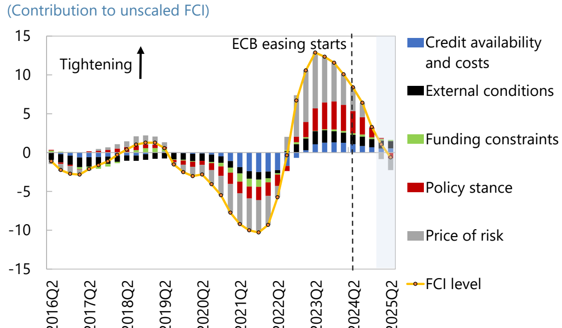
Credit Growth
(Annual percentage change, percentage point contributions)



Sources: DNB and IMF staff calculations.

…with financial conditions easing driven by moderation in the price of risk and the looser monetary policy.

FCI level
(Contribution to unscaled FCI)



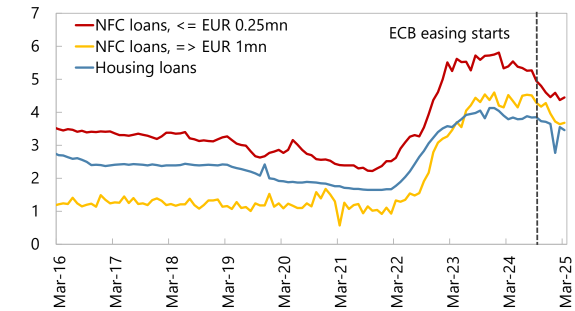
Source: Borraccia et al., 2023, IMF Working Paper 23/209.
Note: Data for 2025Q1 and 2025Q2 are forecasts.

Figure 6. The Netherlands: Financial Conditions and Credit Developments (concluded)

Interest rates decreased following ECB cuts…

Interest Rates on New Bank Loans

(Percent)

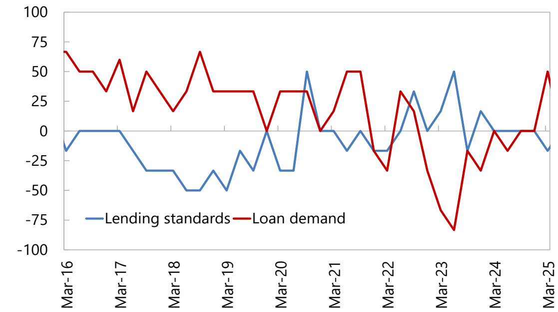


Source: DNB.

…boosting demand for mortgages…

Mortgage Lending Standards and Loan Demand

(Net percentage balance)

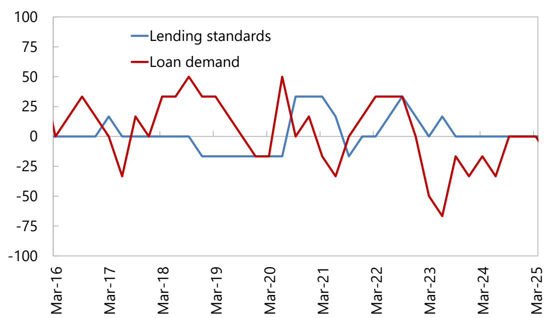


Source: ECB.

…and corporate loans.

NFC Lending Standards and Loan Demand

(Net percentage balance)

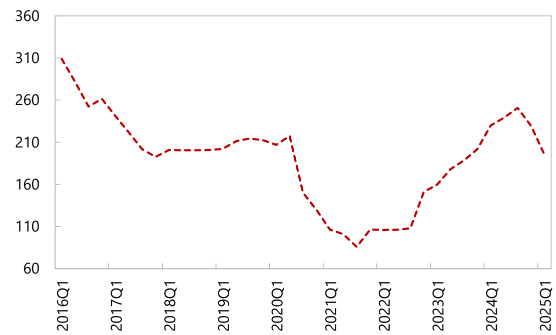


Source: ECB.

Corporate bankruptcies returned to pre-pandemic levels following the phase-out of support measures.

Corporate Bankruptcies

(Index, 2021=100)



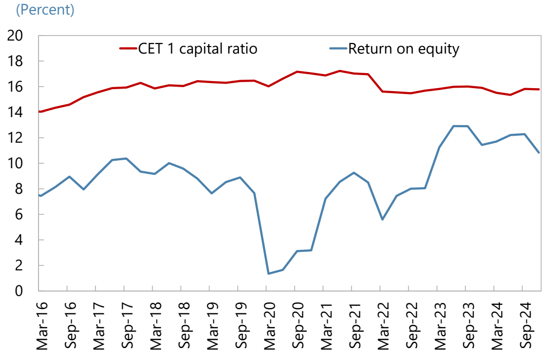
Sources: EC and Haver Analytics.

Figure 7. The Netherlands: Banking, Insurance, and Pension Sector Developments

Banks are well capitalized and highly profitable.

Bank Profitability and Capital Adequacy

(Percent)

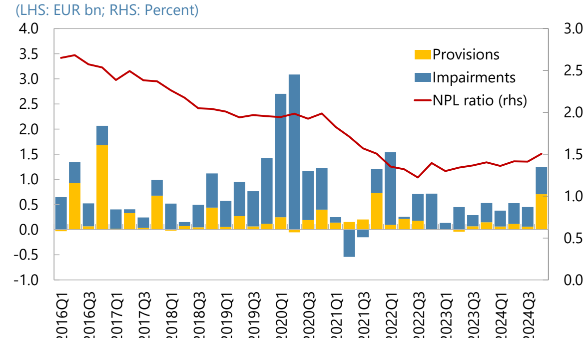


Source: EBA.

NPL and loan provisioning ratios are stable…

Bank Asset Quality

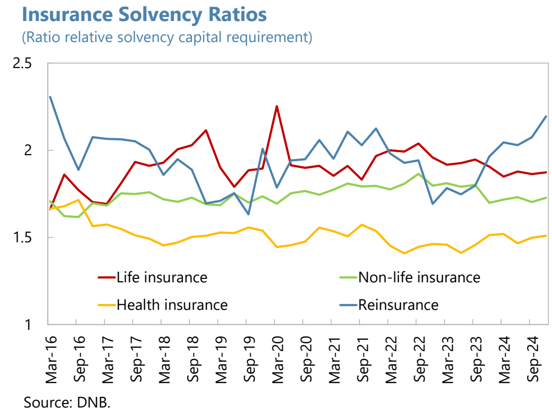
(LHS: EUR bn; RHS: Percent)



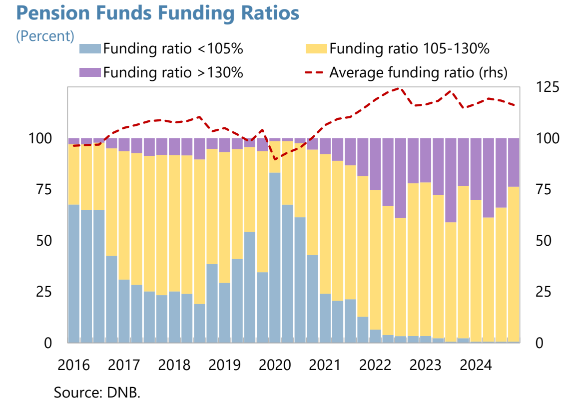
Sources: DNB and EBA.

Figure 7. The Netherlands: Banking, Insurance, and Pension Sector Developments
(concluded)

…so are insurer solvency ratios.



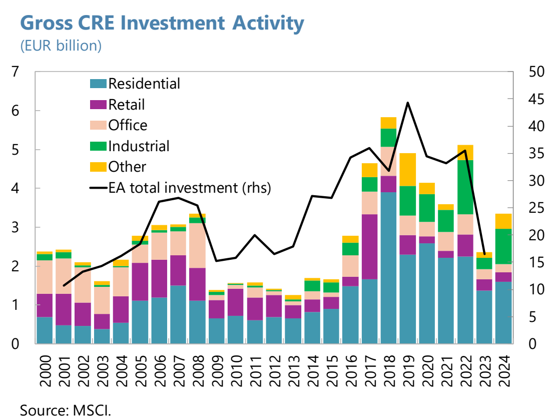
Pension fund funding ratios remain above 100 percent.



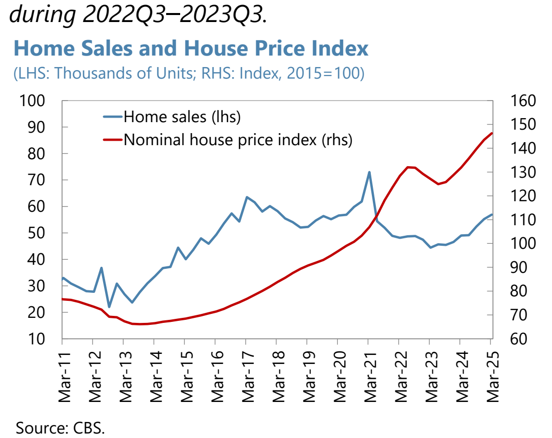
10. Commercial real estate (CRE) developments signal reduced risks, but the residential market (RRE) shows signs of overheating (Figures 8, 18). CRE prices have rebounded, investment transactions and volumes are up, and vacancy rates are down or broadly stable across segments since end-2023. RRE cooled during 2022Q3–2023Q3, but nominal house prices (and sales) have picked up again. Housing valuations remain among the highest in Europe, with existing dwellings estimated as overvalued by 24.5 percent (ECB, December 2024).

Figure 8. The Netherlands: Real Estate Developments

CRE investment activity rebounded in 2024.



House prices and home sales picked up after cooling during 2022Q3–2023Q3.

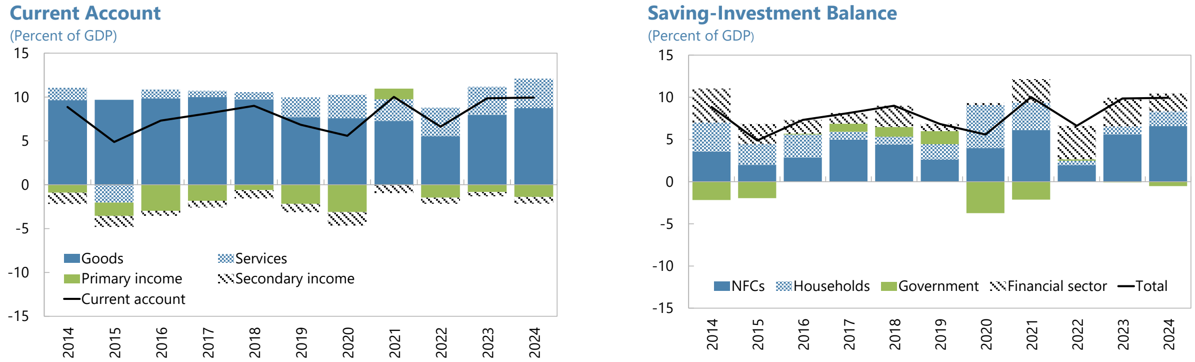


11. The external position in 2024 was substantially stronger than implied by medium-term fundamentals and desirable policy settings (Annex I). The 2024 current account (CA) surplus reached 9.9 percent of GDP, as in 2023 (Figure 9). Staff estimates an underlying cyclically adjusted CA surplus of 10.1 percent of GDP versus an estimated norm of 3.8 percent of GDP. With adjustors for Netherlands-specific factors, this yields an assessed CA gap of 4.0 percent of GDP. Consistent with this, staff assesses the REER as undervalued by 6.2 percent. Strengthening public and private investment in infrastructure and housing and addressing growth bottlenecks from nitrogen and electricity grid congestion would be effective ways to reduce imbalances.

Figure 9. The Netherlands: External Developments

The CA remained broadly stable in 2024…

…reflecting on the whole unchanged savings and investments.



Sources: CBS, Eurostat, and IMF staff calculations.

Sources: CBS, Eurostat, and IMF staff calculations.

OUTLOOK AND RISKS

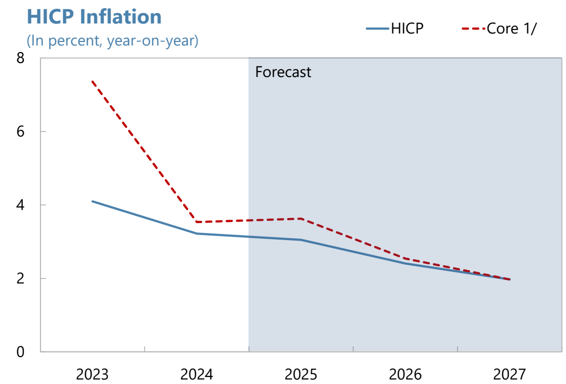
12. Domestic demand is projected to drive growth even as trade tensions affect momentum. Real GDP growth is expected to reach 1.1 percent in 2025 and 1.2 percent in 2026, largely driven by public and private consumption, the latter supported by strong fundamentals (low unemployment, robust wage growth, solid household purchasing power). However, the direct effects of tariffs, announced by the U.S. administration in April, and their indirect effects via lower trading partner growth, are expected to dampen external demand.[1] Uncertainty over future trade policies will hold back private investment and weaken consumer confidence, though lower energy prices offer some support. With a cooling economy, the still-positive output gap is expected to close by 2026. Potential growth is estimated to decline from about 1.5 to 1.2 percent over the medium-term, as gains from public investment and reforms are offset by aging effects.

13. Inflation is expected to converge to the 2 percent target only in late 2026. Recent collective wage agreements point to moderation, consistent with early signs of easing labor market tightness. Fiscal measures, on net, will contribute positively to inflation in 2025–26; the roll-back of some reduced VAT rates and the increase in excise rates are partly offset by higher energy subsidies and a freeze on social housing rents. As the trade shock reverberates through the global economy, deflationary forces are expected to arise from lower global growth and energy prices, and euro appreciation.

[1] The outlook incorporates the impact of trade tariffs imposed on April 2. For the Netherlands, the tariff impact is mitigated by exemptions that lower effective tariffs (to 11.3 percent) and by fairly inelastic high-tech exports.

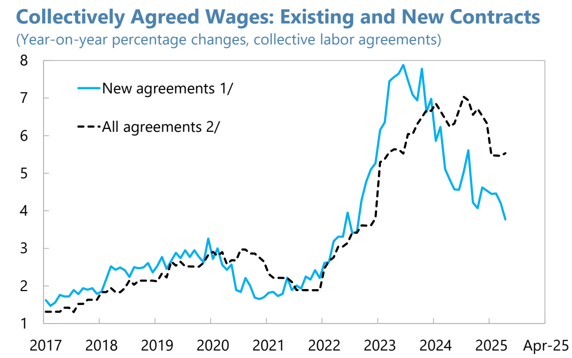
Figure 10. The Netherlands: Inflation Outlook

Inflation is expected to remain elevated and reach the 2 percent target in late 2026.



Sources: Haver Analytics; and IMF staff calculations.
1/ Core inflation defined as headline inflation excluding energy and unprocessed food.

Wages are still elevated but expected to gradually decline as suggested by the new wage agreements.



Sources: AWVN, CBS, and Haver Analytics.
1/ Wage growth in new collective labor agreements (12 month average).
2/ Monthly wage growth in all collective labor agreements; wage includes special payments.

14. Amid high uncertainty, downside risks to growth dominate while risks to inflation are broadly balanced (Annex II).

- Externally, the main risks stem from escalation of trade tensions and investment shocks, which would weigh on growth and investment. Additional shocks and increased uncertainty would exacerbate negative growth effects over 2025–27 (Text Table 1). This might exert downward pressure on inflation. However, supply chain disruptions might push up inflation. Barring more extreme scenarios, fiscal automatic stabilizers are sufficient to weather shocks.[2] Should discretionary stimulus be needed, the Netherlands has the fiscal space for it.

- Domestically, political impasse following the government collapse could entrench uncertainty on key economic policies and leave bottlenecks unaddressed (e.g., nitrogen). A tight labor market and expansionary fiscal stance could keep inflation elevated and pressure inflation expectations, while the ECB is expected to continue easing monetary policy faster than would be desirable for the Netherlands. Over the medium term, insufficient progress on structural reforms to address growth bottlenecks and enhance labor productivity could weigh on potential growth and lower competitiveness.

[2] The Dutch trend-based fiscal policy (Medium-Term Fiscal Framework) includes multi-year expenditure ceilings established for the full cabinet term, and, separately, trend-based revenue forecasts where revenues fluctuate with economic conditions, allowing for automatic stabilizers to operate.

Text Table 1. The Netherlands: Impact of Escalating Trade Tensions, 2025–27
(Percentage points)

	Growth	Inflation
U.S. tariffs on currently exempt items 1/	-0.4 to -0.7	0 to -0.2
Doubling of U.S. tariff on steel and aluminum 2/	-0.1 to -0.3	0 to -0.1
Tariff retaliation 3/	-0.2 to -0.7	+0.5 to -0.3
Further increase in global uncertainty 4/	-0.7 to -1.2	-0.3 to -0.5

Source: IMF staff calculations.
Note: Estimated ranges for the cumulative deviation from the baseline over 2025-2027 for real GDP growth and HICP inflation.
1/ These items include pharmaceuticals and semiconductors.
2/ Tariff on steel and aluminum increased to 50 percent.
3/ A sharp increase in bilateral tariffs between the U.S. and its trading partners in response to the April 2 announcement. See box 1.1 of the April 2025 WEO for more details.
4/ A three-standard-deviation increase in the global economic policy uncertainty index. See box 1.1 of the April 2025 WEO for more details.

Authorities' Views[3]

15. The authorities broadly shared staff's views on the outlook. They agreed that growth will be supported by public and private consumption and that trade tensions and domestic policy uncertainty weigh on external demand, business investment, and consumer confidence. Moreover, geoeconomic fragmentation may have more lasting impacts than currently expected. The authorities concurred that inflation will remain higher than in most EA countries before converging to the EA average and pointed to upside risks from supply chain disruptions or retaliatory trade measures.

POLICY DISCUSSIONS

Fiscal policy should pivot from supporting demand to supply-enhancing measures and further streamline inefficient and ineffective tax expenditures, fossil fuel subsidies, and energy-support measures. Over the medium term, stepped-up structural reforms, including in pensions and healthcare, would preserve room to invest and increase other priority spending, e.g., defense. The macroprudential stance is broadly appropriate but risks in the housing market and financial sector should continue to be monitored.

A. Fiscal Policy

16. Fiscal policy is set to tilt further towards demand support and provide an impulse of 1 percent of GDP in 2025–26.[4] Key measures to support household purchasing power include

[3] The authorities' views throughout the report reflect discussions with the DNB and the coalition government in May. The Prime Minister, Finance Minister, and several other cabinet members have remained in caretaker capacity.

[4] The baseline reflects the 2025 Budget and policies outlined in the 2025 Spring Memorandum, discussed in Parliament under the outgoing government. The caretaker government will prepare a 2026 Budget which will be discussed by Parliament in the Autumn. Deviations from the Spring Memorandum will need to be compensated in accordance with the medium-term fiscal framework.

income tax relief and extending reduced fuel excises, energy subsidies, and rent support. Other social, health, defense/security spending will increase as well. Plans to end reduced VAT rates on culture, media, and sports will be defrayed by not fully adjusting income tax brackets to inflation. Backloaded adjustments to keep the deficit below 3 percent and public debt under 60 percent of GDP by 2030 include abolishing reduced VAT rates on accommodation and spending cuts on asylum, international cooperation, and public administration (Text Table 2). In 2024, the European Commission (EC) assessed the plans for 2025–29 as not in line with the new EU governance framework, with net spending growth leading to worsening debt and deficit dynamics through 2038. The Council of State of State recently deemed plans consistent with national fiscal rules but not with the EC's preventive arm.

Text Table 2. The Netherlands: Key Fiscal Measures in the 2025 Budget 1/

(Percent of GDP)

	2025	2026	2027	2028	2029
Revenue measures	**-0.6**	**-0.3**	**-0.3**	**-0.1**	**-0.1**
Tax relief (households and businesses)	-0.3	-0.3	-0.3	-0.3	-0.3
Changes to capital taxation 2/	-0.1	-0.1	-0.1	0.0	0.0
Energy-related 3/	-0.2	0.0	0.0	0.1	0.1
Other tax increases	0.0	0.1	0.1	0.1	0.1
Expenditure measures	**-0.2**	**0.2**	**0.0**	**0.2**	**0.0**
Social transfers to households	-0.1	-0.1	-0.1	-0.1	-0.1
Health care	0.0	0.0	-0.3	-0.3	-0.3
Defense and security	-0.1	0.0	-0.4	-0.3	-0.3
Spending cuts	0.0	0.3	0.8	0.9	0.7
Social spending and education	0.0	0.1	0.2	0.3	0.3
Public administration	0.1	0.3	0.3	0.3	0.3
International cooperation	0.0	0.0	0.2	0.1	0.1
Climate, energy, housing	0.0	0.0	0.1	0.2	0.0
Memo					
Net lending/borrowing (Staff projections)	-2.2	-3.0	-2.4	-2.4	-2.6
Net lending/borrowing (2025 Budget)	-2.8	-3.7	-2.4	-2.4	-2.5
Net lending/borrowing (2025 Spring memo)	-2.6	-3.0	-2.6	2.1	-1.9

Source: 2025 Budget, 2025 Spring Memorandum, and IMF Staff Calculations.

1/ - means cost to the public sector balance.

2/ Following a supreme court ruling on capital gains taxation the method for calculating returns based on estimates was found to be inacurate, and taxation will instead be based on actual returns. The government will compensate taxpayers whose actual returns were below the assumed flat-rate. This led to delaying the reform to 2028, offset in part by raising the flat-rate amount for other assets and reducing the tax free allowance. See Box 1.

3/ Includes one-off energy measure (extended reduced fuel duties until end-2025).

17. Shifting fiscal policy toward supply expansion would boost growth. With household real incomes above pre-pandemic levels and inflation elevated, a non-expansionary fiscal stance is advisable. While underspending and revenue overperformance might deliver this—as in 2024—proactively identifying measures would better steer the adjustment.

- Savings of about 1 percent of GDP in 2025–26 could be achieved by phasing out untargeted energy measures (0.2 percent of GDP) such as the reduced excise duty on fuel, by streamlining inefficient and ineffective tax expenditures (including low VAT rates on goods and labor-intensive services), and by further reducing implicit fossil fuel subsidies. Lower deficits would also help stabilize debt through 2030, in line with the EC's recommended adjustment under the preventive arm.[5]

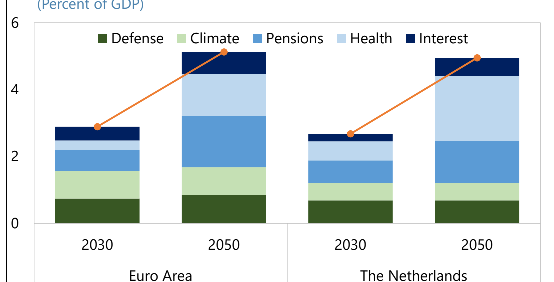
- Since the economy is running at capacity, expanding supply calls for higher public investment in infrastructure, education, and R&D, along with policies to foster private investment in expanding housing supply and productivity. Tackling growth bottlenecks is a first-order priority (Section C).

18. Emerging inconsistencies call for policy actions to align more closely with long-term goals. For example, freezing social rents offers relief to some households but weakens the financial health of housing associations and limits new investment to address housing shortages or upgrade the housing stock. Extending the reduction of fuel excises disincentivizes the clean energy transition, countering efforts to reduce implicit fuel subsidies and foster EV adoption (through subsidies). Cuts in education and R&D spending are at odds with higher desired levels of human capital and innovation. In this context, the planned reform of the tax and benefits system is a welcome opportunity to simplify and align policies (¶21).

19. Enhancing policy effectiveness also requires strengthened budget credibility and better integration of policy evaluations in the budget process. In view of large budget deviations, the authorities are working on enhancing budget credibility by ensuring realistic revenue projections and identifying and addressing factors constraining timely and effective implementation of public investment projects (Annex VII). The Court of Audit's May 2025 Accountability Report found that a lack of coordinated governmental views is contributing to unrealistic budgets and underspending and highlighted room for better integration of policy evaluations in the budget process.

20. The fiscal position is strong but tackling medium-term spending pressures through structural fiscal reforms would increase room to maneuver. With a debt-to-GDP ratio of 43.3 percent, overall risks of debt distress are low (Annex III). Deficits and debt are projected to remain below 3 and 60 percent of GDP through 2030.[6] However, by 2050, projected annual outlays on health, aging, and climate change will increase by about 4 percent of GDP (text chart, IMF, 2025). Ambitions to scale up defense spending beyond 2 percent of GDP add to these pressures. Addressing cost drivers early on would free fiscal room to maneuver, including by: (i) reversing the reduction of healthcare

Spending Pressures in 2050
(Percent of GDP)



Sources: Eble et al., 2025, *Long-Term Spending Pressures in Europe*, IMF Departmental Paper No. 25/002.
Notes: Annual spending pressures beyond baseline.

[5] The EC's June 2024 technical assessment, endorsed by the EC Council in January 2025, recommended a structural primary balance that translates into net expenditure growth of 3.2 percent over 2025–28 (versus 4.2 percent in the draft 2025 Budget).

[6] In 2026, the deficit breaches 3 percent of GDP because of one-off spending on reform of military pensions (0.7 percent of GDP).

deductibles, increasing health care co-payments, and adjusting the basic policy package while supporting solidarity; (ii) linking the retirement age one-to-one to greater life expectancy for tax-funded old-age pensions; and (iii) moving away from fuel subsidies to revenue-generating carbon pricing and taxation.

21. Implementing the planned growth-enhancing tax reforms would provide additional support. The authorities' Building Blocks Tax report rightly recommends streamlining inefficient and ineffective tax expenditures, including abolishing reduced VAT rates.[7] This would lower compliance costs, broaden the tax base, and may open the door to a lower tax rate. Speedy implementation of the proposed capital income taxation reform (Box 1) would align investment incentives by taxing capital income more consistently and encouraging better resource allocation.

Authorities' Views

22. The authorities broadly concurred with staff's analysis and advice. They emphasized their commitment to adhere to trend-based fiscal policy, a key element of the Dutch Medium-Term Fiscal Framework. While acknowledging the need to reduce fiscal demand support and seeing room to better align policies with long-term goals, they pointed to the many and occasionally competing demands within the governing coalition. They noted that debt and deficits are expected to remain within the Stability and Growth Pact (SGP) limits in 2025–2028. To bring net expenditure growth in line with EC recommendations and ensure compliance with fiscal rules in the medium term (2038), the recommendations from the European semester will be reflected in the 2026 Budget memorandum. They noted that staff's projection for spending pressures from healthcare, aging, and climate change is broadly consistent with their estimates and agreed that spending pressures, particularly in defense, pose challenges. They concurred with the importance of implementing planned tax reforms to 'Box 3'. To improve revenue projections and the timely and effective implementation of public investment, implementation of the expert group's recommendations on enhancing budget credibility is paramount.

Box 1. The Netherlands: Capital Taxation and Other Tax Reforms

Income in the Netherlands is taxed under three categories, known as 'boxes.' Box 1 covers labor income, imputed rent on owner-occupied homes, and mortgage interest deductions. Box 2 applies to income from substantial shareholdings (i.e., ownership of at least 5 percent in a company). Box 3 taxes financial assets, including real estate investments. The planned Box 3 reform shifts from taxing wealth to taxing capital income and includes novel elements, like taxing unrealized capital gains on financial assets. These, together with recent reforms phasing out the favorable tax treatment for housing, would reduce saving and investment distortions.

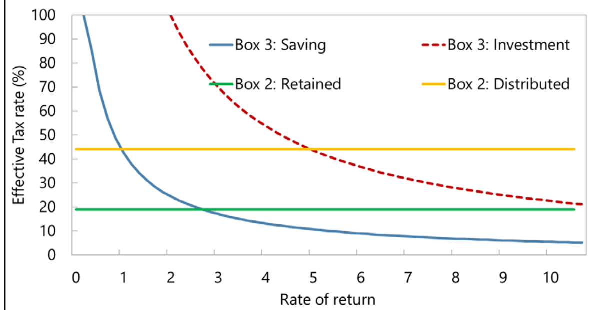
Reforming capital taxation under Box 3 contains novel elements and remains a top priority. A novel element of the proposed reform is taxing unrealized capital gains on financial assets (e.g. stocks) *as they accrue*, not at the time of the sale. With this reform, the authorities aim to reduce tax-driven asset holdings and thereby improve investment allocation.

[7] See also 2024 Article IV Staff Report.

Box 1. The Netherlands: Capital Taxation and Other Tax Reforms (concluded)

Additionally, it would align the taxation of income from financial assets, such as *interest income* and *equity* income, with practices in other EU countries. Currently, notional returns on financial assets are taxed at 36 percent implying higher effective rates on low returns (e.g. deposit savers) and lower rates on high returns (e.g. dividends, capital gains). The Dutch Supreme Court ruled in 2021 that the notional return approach violates the European Convention on Human Rights due to higher effective tax rates when returns are low or negative (Box Figure). The reform has been postponed to 2028 due to implementation concerns, including because of issues raised by the Council of State.

Average Tax Rates in Box 3 Depends on Return



Source: IMF staff calculations.
Note: Based on the 2025 system, the notional returns are fixed at 1.44% for savings and 5.88% for investments. The tax rate in Box 3 is a flat 36% and the deemed return is 1.44% for savings accounts and 5.88% for investments and other assets. Box 2 illustrates the reduced corporate income tax rate of 19% for private business shares with profits as retained earnings (≤€200,000) ("Box 2 Retained"). In Box 2 Distributed, 31% (the top rate in Box 2) is levied when profits are distributed (> €67,804)—resulting in a combined top tax rate of around 44%. The chart shows how the top personal income tax burden differs across boxes at different return levels. For example, if income of €200,000 is all placed in savings, the tax amounts to €38,000 if retained and €83,812 if distributed (including the dividend tax). In comparison, if the same amount is taken as salary, the base liability under the employment income tax schedule would be €89,330. This means the system is nearly neutral regarding the taxation of employment income versus distributed profits.

The proposed reform has important elements. Shifting to taxing actual returns on savings and investments—as in most other EU countries—would address the regressive nature of the current system. As noted, taxing unrealized capital gains on financial investments on an annual basis aims to discourage tax planning strategies that defer and minimize taxes by delaying the realization of gains.[1] Implementing these changes may reduce tax distortions of saving/investment decisions and inequalities stemming from higher effective taxation of lower returns. The new system may also improve automatic stabilizers by aligning with the economic cycle, unlike the current system that results in higher rates in downturns and lower rates during booms.

Recent tax reforms reduced tax disparities across assets, but further measures are needed. The phasing out of tax privileges for excessive mortgage financing in 2024 will gradually increase imputed rent and reduce mortgage deductions under Box 1, with full neutrality of the tax treatment of mortgages expected by 2048. Another aspect of income taxation to reconsider is the reduced 19 percent corporate income tax (CIT) rate on profits up to €200,000, as it may hinder firm growth and encourage profit underreporting. Abolishing the reduced rate could also allow for reducing the tax rate on dividends, thereby reducing the existing bias for profit retention over distribution.

1/ However, the proposal will tax capital gains from non-owner-occupied real estate upon realization, whereas they are currently taxed based on a deemed return, with the realization event itself remaining untaxed.

B. Financial Sector Policies

23. Risks to financial stability are elevated and have risen warranting continued close monitoring. Trade policy tensions and uncertainty have increased financial market volatility and weighed on investor confidence. Sudden declines in asset values and rising interest rates heightened liquidity risks especially for pension funds (PFs). FX hedges cushioned the impact of recent equity volatility abroad. More volatility in asset prices could trigger periodic margin calls particularly on PFs derivatives. Elevated inflation still poses non-negligible risks for insurers. While household and corporate indebtedness is declining, it remains well above the EA average. In real estate, developments in CRE signal reduced risks, but the residential market shows renewed signs of overheating (¶10, Figure 18).

24. Even so, the financial sector remains resilient to shocks as buffers are ample and commensurate to risks—the macroprudential policy stance is broadly appropriate. Banking, insurance, and PF fundamentals remain sound (¶9). The countercyclical capital buffer has been maintained at the 2 percent positive neutral rate since May 2024. Other buffers for the largest banks remain in a 0.25–2 percent CET1-to-risk-weighted-assets ratio range (Text Table 3). Funding ratios of occupational PFs declined as interest rates fell but are rebounding ahead of the system's transition to defined-contribution schemes. PFs are resilient to liquidity risks in adverse stress scenarios and can raise cash at short notice if needed from repo or other money markets to meet margin calls on interest derivatives.

25. Addressing access to homeownership through policies that increase housing supply would allow recalibrating borrower-based macroprudential measures towards minimizing financial risks. Housing market risks continue to be mitigated by structural factors including rising real disposable incomes, the large share of fixed-rate mortgages, and full legal recourse in case of default. The maximum LTV limit was lowered to 100 percent in 2018. Eligibility for and duration of mortgage interest deductibility were tightened, and the maximum rate reduced. Mortgage risks are further mitigated by the recent extension of risk-weight floors until November 2026 (Text Table 3). Efforts to ensure a clear legal basis for supervisory authorities' regular access to granular transaction and loan-level data for risk monitoring and analysis—to identify pockets of vulnerability as they emerge—should be concluded. Still, as recommended in the 2024 FSAP, to cool the housing market, maximum LTV limits should be progressively lowered even more, to 90 percent, mortgage interest deductibility gradually removed, and borrowers further incentivized to lower exposures to interest-only mortgages (Annex IV). More broadly, a significant increase in housing supply is needed to boost affordability, facilitate access, and to reduce banking and insurance risks from residential mortgage exposures. This will require reconsideration of the roles of housing associations and private investors, revisiting rent controls, revising land use policies, and streamlining building regulations.[8]

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[8] For options on policies to boost housing supply, see "Real Estate in the Netherlands: A Taxonomy of Risks and Policy Challenges", IMF Working Paper No. 2021/206, and "Housing Supply in the Netherlands: The Road to More Affordable Living", IMF Selected Issues Paper No. 2023/023.

Text Table 3. The Netherlands: Macroprudential Policy Settings

	Current Calibration	Notes
Capital-based measures		
Capital conservation buffer	2.5 percent	
Counter-cyclical capital buffer	2.0 percent	May 2023 (announced), May 2024 (effective)
G-SII buffer	1 percent	ING
O-SII buffer	0.25-2.0 percent	May 2023 (announced), May 2024 (effective) ABN Amro (1.25 percent reduced from 1.5 percent) BNG (0.25 percent reduced from 1 percent) ING (2.0 percent reduced from 2.5 percent) Rabobank (1.75 percent reduced from 2 percent) Volksbank (0.25 percent reduced from 1 percent)
Risk-weight floors for IRB mortgage exposures	12 and 45 percent	Since 2022 until November 2026 12 percent RW for up to 55 percent of collateral value, 45 percent RW beyond
Borrower-based measures		
Maximum LTV for residential mortgages	100 percent	Since 2018
Interest-only mortgages	Tax deductibilty limit	Since 2013 30-year amortization requirement for tax deductibility of mortgage payments
Interest-only mortgages	Borrowing limit	Maximum 50 percent of property value

Sources: DNB, MOF, and ESRB.

26. The pension system transition toward defined-contribution (DC) schemes is advancing (Box 2). Several large pension funds have submitted plans to regulators to transition by January 1, 2026. Portfolio adjustments to reflect new risk profiles will occur upon effective transition, requiring heightened attention to market volatility and associated transition risks.

27. The reform will strengthen PFs financial sustainability and offers an opportunity to improve intergenerational fairness and rebalance portfolios (Box 2). Most defined-benefit schemes (DBs) have faced financial pressure since 2008. Many have struggled to index benefits in the low-interest-rate environment, and some were forced to cut benefits. Also, DBs asset allocations do not reflect age-related risk preferences. This has raised concerns about intergenerational fairness. Together, these factors weakened confidence in the system. The transition to DC schemes will alleviate pressures from aging on PFs sustainability. It will also allow for portfolio allocations that better align with risk preferences of age cohorts, including more investments in equity, while maintaining a high degree of solidarity and collective risk-sharing. Notably, about 80 percent of plans are expected to combine individual investment accounts with collective investments that bundle assets and distribute returns across individual accounts.

Box 2. The Netherlands: Pension Fund Transition

Fully-funded mandatory occupational schemes covering 90 percent of employees—but only 6 percent of self-employed—form the second and main pillar of the pension system.[1] With about €1.8 trillion (157 percent of GDP) in assets in 2024, these funds are transitioning from defined-benefit (DB) to defined-contribution (DC) schemes by January 2028. This implies significant changes in contributions, policies, and payouts for more than 170 industry-wide and company pension funds (PFs) and pension insurers.[2]

Motivation

Many PFs were unable to index benefits in the low-interest-rate environment; some had to reduce benefits. Moreover, self-employed and freelancers accrue little or no pension in the DB second pillar, leading to inadequate pension coverage. DB schemes' intergenerational fairness has also been scrutinized. Together with population aging weighing on the PFs financial sustainability, this motivated the transition to DC.

Defined-Benefit Schemes	Defined-Contribution Schemes
Contributions are currently set by collective labor agreements. Investment policies are also governed by a collective investment policy. Old-age, death, and occupational disability risks are shared collectively. Schemes typically use the career average salary (up to a maximum) as basis and provide a fixed annual accrual at a maximum of 1.875 percent, irrespective of age, gender, health, or income. Pensions benefits are indexed to wage growth or inflation, if the fund's financial position allows.	Premiums will be age-independent but the annual accrual rate degressive over time. Payout levels will depend on investment returns and not be guaranteed. "Solidarity DC plans" will mix personal individual investment accounts and collective investments that bundle member assets and split returns across individual pension accounts. "Flexible DC plans" will link personal investment accounts with specific investment funds. Both solidarity and flexible plans will offer annuities that allow plan participants to continue to invest during the payout phase.[3]

Challenges and Opportunities

Transition plans—including asset conversion decisions—are set by social partners (employers and employees for each PF). Individuals who object to their converted accrued pension benefits (the portion of collective assets that is transferred to their individual pension accounts) or the fund allocations in investment portfolios tailored to the risk profile agreed by social partners, often following a members' survey, can only do so in court. This, and the administrative complexity of the conversions, exposes all players to legal risks. Supervisory agencies should be adequately resourced to monitor and ensure funds' transparent reporting, record-keeping and communication, and lawful implementation of the conversions and execution of new DC contracts.

The Pension Act does not set hard limits on investment portfolio composition but emphasizes sound risk management. A significant share of assets remains held in bonds (Figure 20). Derivatives are permitted only if they reduce financial risks (for hedging) or improve portfolio management. There are concentration and parent company investment restrictions.

The transition is an opportunity to rebalance portfolios towards more equity holdings following effective transition, respecting funds' risk tolerance and asset preferences. DB schemes need to maintain expected returns high enough to meet statutory minimum funding ratios, and their liabilities are exposed to interest rate risks. Reducing negative duration gaps is therefore vital.[4] The transition to DC will change the liability structure (with payouts no longer guaranteed) and likely naturally minimize duration gaps, structurally lower the demand for long-duration bonds and interest rate swaps, and boost demand for equities.

1/ The first pillar is a public pay-as-you go scheme funded through the budget that guarantees a basic minimum pension linked to the statutory minimum wage; the third pillar are voluntary individual pension savings.
2/ Only a handful of funds were already DC in 2023 when the *Future Pensions Act* was enacted.
3/ Pension insurers can also offer contribution-capital schemes. Their participants can request—up to 15 years before the state pension retirement age— to use the accrued capital to purchase guaranteed fixed (or partly fixed) lifetime pension benefits that are to be paid upon retirement.
4/ The present value of liabilities increases more than the value of pension assets when discount rates fall, creating a "negative" duration gap.

Authorities' Views

28. **The authorities broadly concurred with staff's assessment of financial risks and the appropriateness of the macroprudential policy stance.** They also view the financial system as resilient with ample buffers. They highlighted additional risks from geoeconomic fragmentation and cybersecurity, and the importance of maintaining operational resilience of financial systems. They agreed that CRE risks have moderated and are currently limited. The residential market remains tight, and government policies to support construction of 900 thousand new or refurbished homes by 2030 (100 thousand units per year) will help supply better match need. They saw the increases in corporate bankruptcies in recent years as a normalization following phasing out of pandemic support. The authorities also agreed that monitoring and managing NBFI liquidity risk, particularly for PFs, including via ensuring access to liquid European money-market funds and repo markets, are critical. They underscored the importance of the pension reform to ensure the system's long term financial sustainability. To mitigate transition risks, more time will be given to PFs to reduce their interest rate swaps and adjust portfolio allocations to reflect the new agreed DC schemes' risk profiles. On supervision, they pointed to continued efforts to integrate climate and nature-related risks into data analysis, stress testing, and cooperation and information sharing among supervisors.

29. **The authorities have taken steps to implement most FSAP recommendations but also emphasized benefits of some existing arrangements** (Annex IV). The financial crisis management handbook is being updated multiple times a year, after each crisis event simulation exercise. The authorities continued to stress the adequacy of the current framework for calibration of borrower-based macroprudential tools and its ability to serve key objectives—facilitating access to home ownership, consumer protection, and financial stability. They noted that confidentiality of detailed resolution plans prohibits sharing detailed information, and that summaries are shared as needed.

C. Structural Policies

Being near the global productivity frontier means that potential growth can only be strengthened incrementally and through a combination of measures targeting labor, capital, and productivity (Text Table 4 and Figure 11). Addressing bottlenecks from nitrogen depositions and strengthening the electricity grid are first-order priorities. Upholding productivity and enhancing human capital would ease labor shortages and should be complemented by measures to foster innovation through capital market reforms. The green transition should proceed mindful of distributional effects.

Text Table 4. The Netherlands: Illustrative Scenarios of Medium-Term Potential Growth

		investment = Baseline			investment = high		
(percent)		TFP			TFP		
		Low	Baseline	High	Low	Baseline	High
Labor Migration	Low	0.7	1.0	1.4	0.9	1.2	1.5
	Baseline	0.9	1.2	1.5	1.0	1.4	1.7
	High	1.0	1.3	1.7	1.2	1.5	1.8

Note: Migration 'high'/'low' is based on CBS scenarios (Population Outlook 2050 – 2024 edition). Labor force participation rate is assumed to be the same across scenarios. Investment 'high' assumes investment (percent of GDP) to increase to the average of seven peer countries (AT, BE, DE, DK, FI, FR, and SE). TFP 'high' uses average US TFP growth (2017-20) from EU KLEMS; 'low' uses the historical low of the Netherlands' potential TFP estimate.

Strengthening Human Capital and Firm Productivity[9]

30. Amid an aging population and labor shortages, it is critical to fully utilize the potential of workers across all generations and of smaller firms (Figure 12). Educational outcomes are increasingly lagging peers.[10] Skills shortages could be mitigated through enhanced vocational training and lifelong learning. Recent progress to address labor market duality, such as reducing false self-employment, is welcome. Introducing mandatory disability insurance and strengthening pension arrangements for the self-employed are additional measures to be implemented. Additionally, better integration of workers with a migratory background would be facilitated by stepped-up language training, job search support, and recognition of qualifications acquired abroad.

31. A range of policies to support firm productivity should be considered (Figure 12). First, business dynamism could be enhanced by reducing entry/exit barriers to strengthen firm-level allocative efficiency. Second, productivity-enhancing investment could be increased by improving the investment climate and addressing growth bottlenecks, advancing digitalization, and encouraging R&D. Third, productivity spillovers should be fostered by investments with large spillovers (e.g., research parks, networks) that build connections among firms, research institutions, and regions.[11] Fourth, firms could be better supported to grow from start-ups to scale-ups and beyond. Plans to equalize tax treatment of stock options for small firms are welcome and should be expanded to include eliminating the reduced profit tax rate for SMEs as well as providing a menu of financing options along a firm's development stages.

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[9] See Selected Issues Paper: "Boosting Dutch Labor Productivity: Diagnostic and Policy Options", IMF Country Report No. 25/198 for more discussion. Labor market reforms are also discussed in Selected Issues Paper: "Labor Market Shortage in the Netherlands", IMF Country Report No. 24/86.

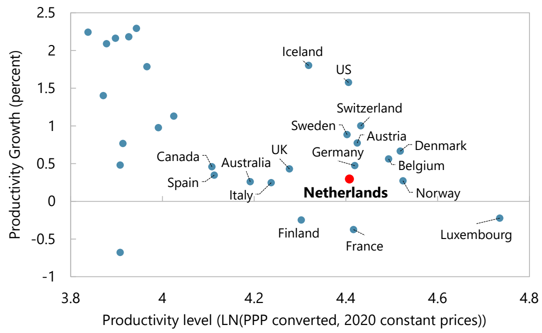
[10] See Selected Issues Paper: "Education Expenditure and Outcomes", IMF Country Report No. 21/244.

[11] See for example the *Brainport-Eindhoven* (Box 1 of Selected Issues Paper: "Boosting Dutch Labor Productivity: Diagnostic and Policy Options", IMF Country Report No. 25/198)

Figure 11. The Netherlands: Growth Accounting

The Netherlands stands at the productivity frontier, while its growth rate is relatively lower than peers.

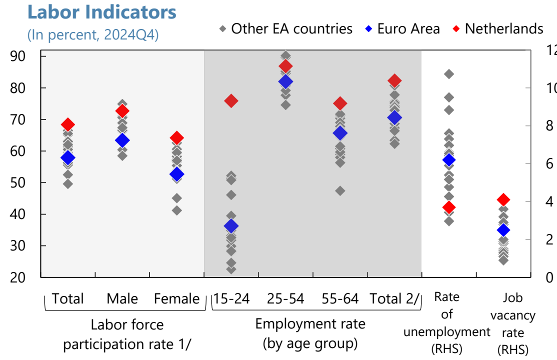
Labor Productivity Growth and Level
(GDP per hour worked, average of 2019-2023, selected OECD countries)



Sources: OECD and IMF staff calculations.

The overall Dutch labor force participation rate is already the highest in the EA.

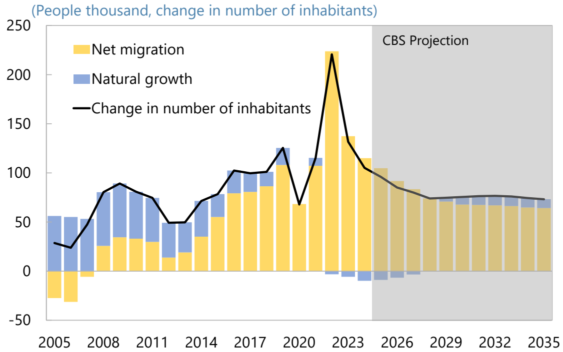
Labor Indicators
(In percent, 2024Q4)



Sources: Haver Analytics; and IMF calculations.
1/ Among people aged 15 years and older. 2/ Among people aged 15-64 years.

Net migration will be the main driver of population growth in the future.

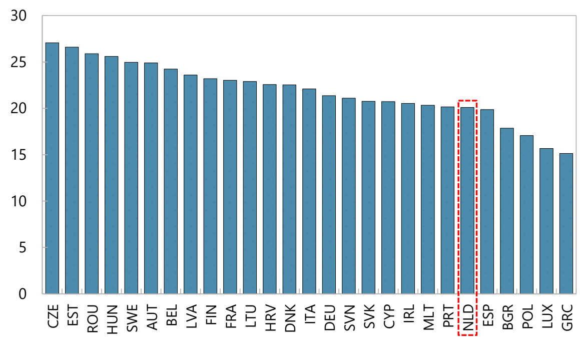
Population Growth
(People thousand, change in number of inhabitants)



Sources: CBS; and IMF staff calculations.

The investment level as a percentage of GDP is lower than in most EU countries.

Gross Fixed Capital Formation
(Percent of GDP, average of 2022-24)



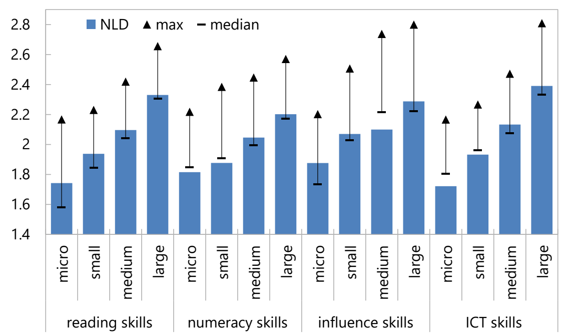
Sources: Eurostat and IMF staff calculations.

32. **Domestic capital market reforms would help expand SME financing by improving valuations, stimulating investor demand for both equity and debt instruments, and simplifying debt issuances** (Box 3). Improving valuations will require increasing the size and liquidity of secondary markets. This should be combined with measures to narrow information gaps to help reduce investor risk, such as easing investor benchmarking, and with reforms to help investors reallocate capital from failed startups more quickly. Integration into a larger EU-wide capital market would improve liquidity and valuations. Increasing PF and insurers' investments in domestic venture capital and other equity funds would also increase equity market size and raise valuations. The pension reform offers such an opportunity. Standardizing and simplifying procedures for smaller-denomination corporate debt securities issuance, lowering the minimum denomination, making pricing more transparent, and leveraging online platforms and other dealer markets would increase retail investor participation and make more debt capital available to firms.

Figure 12. The Netherlands: Labor Productivity

Dutch workers may not fully utilize their skills at work, especially those in smaller firms.

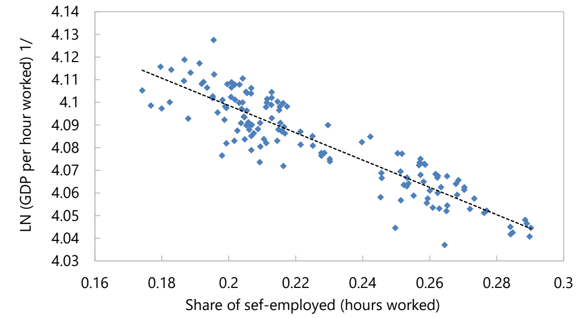
Use of Skills at Work by Firm Size
(Index, 31 countries/economies, 2023)



Sources: OECD and IMF staff calculations.

Provinces with a high share of self-employed are associated with lower labor productivity levels, even controlling for sectoral composition.

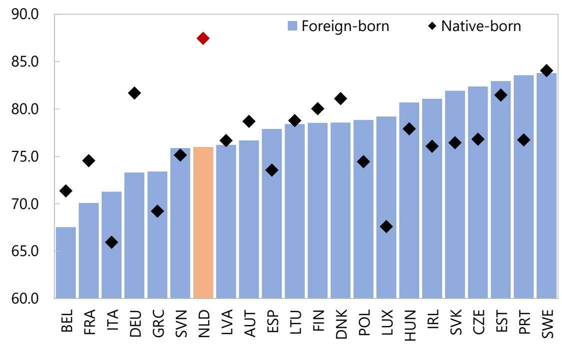
Labor Productivity and Self-employed in Provinces
(2010-2022, 11 provinces)



Sources: CBS and IMF staff estimation.
1/ Controlled for years, provinces, and 8 sectoral shares.

A lower labor force participation rate among people with a migratory background suggests the need for better integration policies.

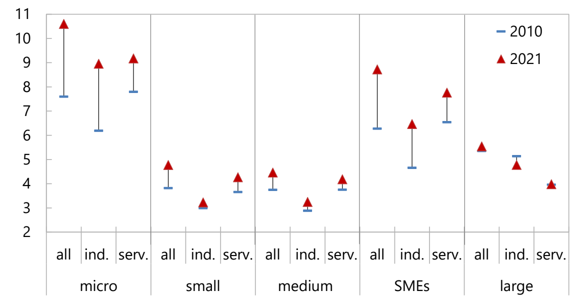
Labor Force Participation Rates by Place of Birth
(Percent, 2023)



Source: OECD.

Firm-level labor productivity dispersion has increased among SMEs, implying less efficient resource allocation.

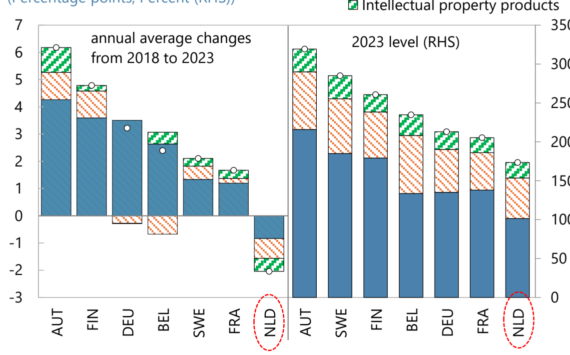
Firm-level Labor Productivity Dispersion (p90/p10)
(Ratio, 90 percentile of the productivity distribution divided by 10 percentile)



Sources: CBS-analyses Staat van het MKB 2024 and IMF staff calculations.
Note: Total (all) covers non-financial business economy (B to J, M, N and S95 of NIC 2008). Industry (ind.) excludes B and service (serv.) excludes S95.

Low and declining capital deepening of NFCs points to the urgency for productivity-enhancing investment.

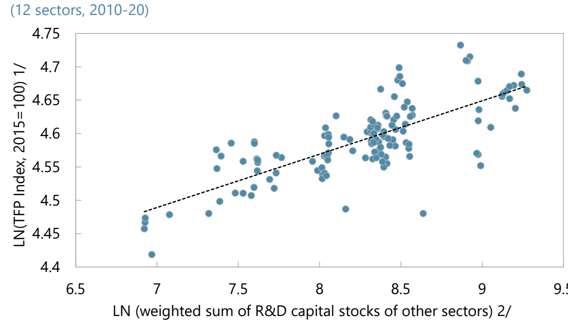
NFCs Capital Stock Percent of GVA
(Percentage points, Percent (RHS))



Sources: Eurostat and IMF staff calculations.

An analysis among sectors indicates a positive relationship between TFP and the R&D stock of other sectors, suggesting the importance of spillovers.

R&D Spillovers and Productivity
(12 sectors, 2010-20)



Sources: EU KLEMS, Eurostat, and IMF staff estimation.
1/ Controlled own innovative property capital stock, year, and sector.
2/ Weighted by intermediate consumption of each sector.

Box 3. The Netherlands: Domestic Capital Market Reforms

Dutch firms (which are mostly SMEs) have traditionally relied on bank funding that has become harder to secure over time. Besides, bank loans—with relatively rigid product offers, strict risk models, and stringent debt-service and loan-maturity requirements—may be ill-suited for fast growing but initially unprofitable, intangible-capital-heavy firms, with little to no physical assets to serve as collateral.

Public venture capital (VC) accounts for a significant share of Dutch VC but remains limited and mostly benefits seed and other early-stage level firms, not more mature small firms.[1] Firms therefore increasingly need to seek debt or equity financing on capital markets to finance their operations, expansions and acquisitions and to continue to innovate and transition to greener production processes, products, and technologies. However, the Netherlands has the lowest number of SME IPOs per 1000 firms in the EU.[2] Euronext Amsterdam operates only on regulated not growth markets. Its issues of stocks and bonds are mostly for large firms with market capitalization above €1 billion. Where equity or bonds are issued for smaller domestic firms, valuations remain lower than for comparable firms on Swedish and US markets. Smaller attractive and innovative firms that fail to secure sufficient funds domestically to scale-up—usually from angel investors or through crowdfunding—do so on foreign capital markets or relocate outside of the Netherlands.

Valuations

Improving valuations (and hence increasing the amount of capital each firm can raise on the primary market) will require simultaneously: i) boosting the size of the secondary capital market to improve its liquidity, and facilitating investor benchmarking to reduce investor risk; and ii) reforming the Bankruptcy Act and securities laws to help investors reallocate capital from failed startups more quickly and shorten the settlement cycle. Access to a larger, EU-wide capital market would also improve liquidity and hence valuations.

Equity Capital

Increasing Dutch institutional investments in domestic VC (and other equity) funds could also increase market size and raise valuations. Raising the share of insurance sector assets invested into equity from 13 percent to 50 percent as in Sweden could increase the size of the domestic capital market by more than 10 percent (or about €200 billion).[3] The pension transition from defined-benefit to defined-contribution offers an opportunity for asset reallocation. Higher pension investment in Dutch equities may also be supported at the EU level by a review of the existing framework for pan-European private pension products and occupational pension funds that culminates in revised legal and supervisory requirements that allow for more VC investment domestically and EU-wide. In addition, implementation of the EU Listing Act, by mid-2026, as planned, would significantly improve the listing processes on regulated markets and public offerings of shares.

Debt Capital

Standardizing and simplifying procedures for smaller-denomination corporate debt securities issuance, lowering the minimum denomination that can legally be traded (or sold to retail clients) using traditional distribution channels (currently set at €100,000), making pricing more transparent, and leveraging online platforms and other dealer markets would help increase retail investor participation and make more debt capital available to firms.

1/ Investments in early-stage, high-growth potential firms, often with a focus on innovation and technology, provided by Dutch public entities or funds.
2/ European Commission.
3/ European Commission and DNB.

Other Bottlenecks to Growth

33. A legally robust, future-oriented strategy to reduce nitrogen policy uncertainty is critical to easing a key growth bottleneck (Annex VII). Developers now face permit uncertainty, investors lack confidence, and farmers remain in limbo as environmental targets slip further out of reach. The government is developing a strategy that includes: shifting from *deposition* (which relies on modeled rather than measured loads) to *direct emission* measurement; extending the timeframe to halve the emissions by 5 years to 2035; setting sectoral goals—50 percent cut for industry, mobility and construction and 42–46 percent for agriculture; and restarting permitting with a new system. More details on measures to achieve a lasting reduction in emissions are paramount. Economic considerations suggest that fees on emitters are the most cost-effective and efficient way to reduce emissions. To avoid tax increases for the average farmer, a system of feebates—where emissions-intensive farming pays fees that fund rebates for lower emission practices—offers a balanced approach. Socially acceptable solutions and emission reductions have been achieved elsewhere through a combination of taxation, regulation, subsidies and science-based guidance.

34. Plans to relieve electricity grid bottlenecks and ready the grid for the green transition should be accelerated and paired with dynamic pricing. The government's strategy focuses on expediting high voltage grid extensions and streamlining permitting. There are plans to guarantee debt issuance by the grid operator (4.4 percent of GDP) to facilitate grid expansion. However, in the meantime, connection wait times remain too long and the grid faces additional challenges from growing demand related to the transition to renewable energy and EVs. Efforts to manage pressures should also include increasing storage capacity and incentivizing energy efficiency of households and industry, while helping the energy poor adapt. To better manage demand, energy savings could be incentivized by greater use of dynamic metering and pricing. These are effective in relieving bottlenecks, reduce peak demand by shifting consumption to off peak hours and when renewable supply is high, and creating the price signal needed to efficiently allocate investment.

Managing the Green Transition[12]

35. To meet national and European climate goals, ensuring policy certainty and strong public support is essential. The Dutch environmental agency (PBL) assessed in 2024 that policies remain insufficient to meet 2030 goals without further action, with emissions estimated at 44–52 percent lower than in 1990s, short of the target of 55 percent. A shift from subsidies to pricing, taxation, and regulation will be needed to strengthen incentives and provide investment certainty.

- Implicit fossil fuel subsidies fell from 2.7 to 0.9 percent of GDP in 2024 with the removal of temporary natural gas price controls—a welcome step.[13] Further efforts, including raising excises

[12] See Selected Issues Paper: "Emerging Climate and Energy Transition Issues", IMF Country Report No. 25/198 for the details of the analysis.

[13] See Black and others, forthcoming. These estimates are based on external cost approach and exclude fossil fuel subsidies resulting from international commitments.

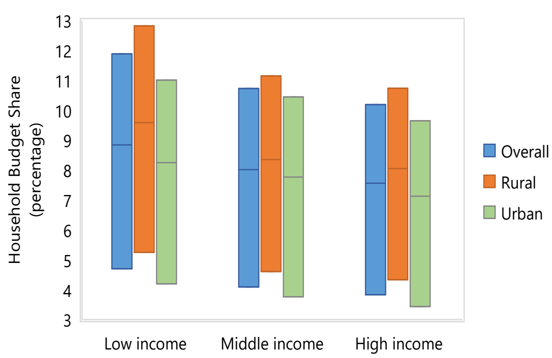
on natural gas, gasoline and diesel, are needed to account for increasing external costs from future economic growth. This will help equalize abatement costs across activities and promote efficient decarbonization.

- The EU climate agenda—including CBAM introduction, phasing out of free ETS allowances, and expansion of ETS coverage to transport and buildings via ETS2—will facilitate progress toward climate goals, as carbon pricing is the most cost-effective and efficient way to reduce emissions and support meeting the climate goals. These measures may impact household purchasing power, with low-income households struggling to adapt even though the burden of ETS reforms across different income groups is expected to be uniform relative to consumption (Figure 14).[14] To manage these challenges, implementing compensatory funds as foreseen in EU legislation and using other targeted fiscal tools could ease policy tradeoffs and enhance support for climate reforms.

Figure 13. The Netherlands: Distributional Effects of Climate Policies

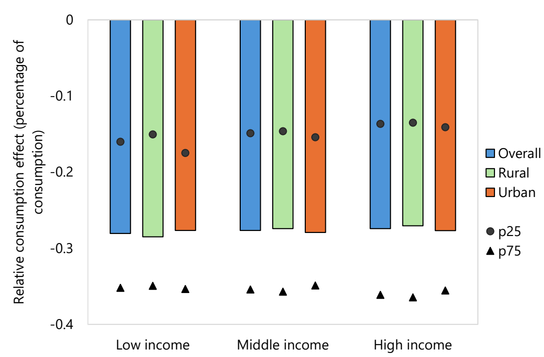
The budget share of direct fuel consumption is higher for lower income compared to higher income and for rural compared to urban households.

Household Budget Share of Main Fuels



However, the overall impact of ETS on consumption is more homogeneous as higher income households face higher indirect effects.

Impact of ETS on Household's Consumption



Source: Selected Issues Papers: "Emerging Climate and Energy Transition Issues", IMF Country Report No. 25/198, IMF Staff using CPAT. The dots represent the 25th and 75th percentiles.
Note: The chart on the left shows the interquartile range; the difference between the first and the third quartile. The chart on the right shows the relative consumption effect. Low-income households include deciles 1 to 3; middle-income – deciles 4 to 7; high income – deciles 8 to 10.

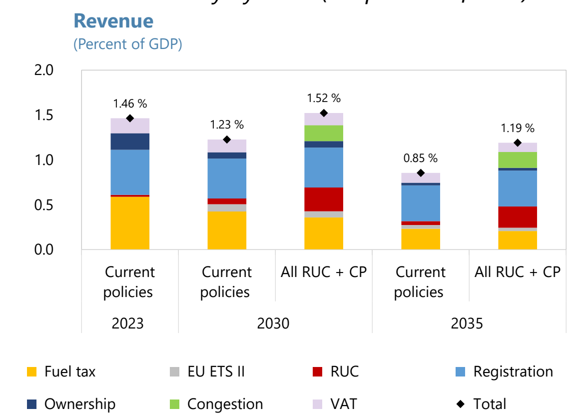
36. Recalibrating transport policies could prevent a macro-critical decline in fiscal revenue and address congestion while managing electricity demand and meeting climate targets. By 2035, fiscal revenue from transport is projected to decline from 1.5 to 0.9 percent of GDP with the shift to lower taxed EVs. This would worsen traffic congestion, which already generates external costs of over three percent of GDP, because EVs are cheaper to operate and increase electricity

[14] Using the IMF Climate Policy Assessment Tool (CPAT), staff's analysis indicates that while lower-income and rural households face larger direct impacts from higher fuel costs, given their higher budget share spend on fuels, indirect effects make the overall impact more homogeneous.

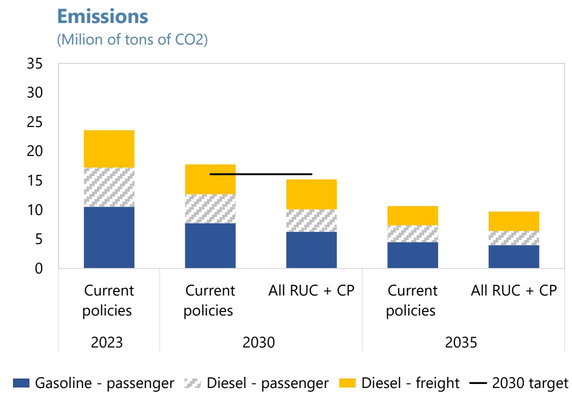
demand by 20 percent, further exacerbating grid bottlenecks. Meanwhile, the transport sector is the second largest emitting source, with emissions projected to fall short of the sectoral target by 10 percent (PBL, 2025). These challenges are best addressed with congestion pricing in urban areas and distance-based charges (per kilometer driven). However, if charges are only applied to EVs, emissions would increase, so they would need to be complemented with higher excises for gasoline and diesel to achieve climate targets. Packaging these measures with means-tested EV subsidies could help less well-off households adapt to policy changes and improve acceptability of reforms.

Figure 14. The Netherlands: Revenue and Emissions Under Different Scenarios, 2023–35

An assumed RUC applied to all vehicles combined with congestion pricing in urban areas allows revenue to increase substantially by 2030 (0.4 percent of GDP)...



...while meeting 2030 climate targets, reducing congestion and electricity demand, but this also requires managing impact on vulnerable households.



Source: Selected Issues Paper: "Emerging Climate and Energy Transition Issues", IMF Country Report No. 25/198.
Note: road transportation covers private and commercial vehicles. Existing policies include the EU fuel economy standards, MRB, BPM, VAT, excises, and EU ETS2. The ETS2 price assumed to stay at EUR 55 after 2030, in line with PBL 2025. RUC = road user charge. CP = congestion pricing. The RUC is applied at USD 0.03 per kilometer in 2024 constant prices and congestion price at efficient levels of around USD 0.20 per kilometer for driving in urban areas during peak hours.

Authorities' Views

37. The authorities broadly agreed with staff's analysis and recommendations. They agreed on the need to enhance labor productivity given difficulties in increasing hours worked but stressed that the recent slowdown in aggregate labor productivity growth is partly due to closure of gas fields and measurement issues in non-market sectors, financial services, and real estate services. They highlighted ongoing efforts to tackle labor market duality, noting that disability insurance and pension arrangements for the self-employed are areas that require attention, and pointed to initiatives that promote start-ups and scale-ups. They also agreed on the need to improve lifelong learning, optimize migration, and boost productivity in SMEs. They recognized the urgency to address bottlenecks in the emissions space and the electricity grid and pointed to ongoing efforts in these areas. The authorities acknowledged the need to assess and manage distributional impacts of climate policies, including through the existing tax -benefit system, to secure support for climate reforms.

STAFF APPRAISAL

38. Domestic demand is projected to drive growth even as trade tensions affect momentum. Growth is expected to reach 1.1 percent in 2025 and 1.2 percent in 2026. Solid purchasing power will support household consumption, but higher tariffs and trade uncertainties will dampen external demand, hold back investment, and weaken confidence. Inflation is expected to continue to moderate gradually, converging to target only in late 2026. Amid high uncertainty, downside risks dominate: externally, from an escalation of trade tensions and domestically, from a prolonged political impasse that could entrench uncertainty about key economic policies.

39. Fiscal policy should pivot from stimulating demand to increasing supply. With real household incomes exceeding pre-pandemic levels and the economy at capacity with elevated inflation, broad fiscal support is no longer warranted. To boost supply capacity, the government should invest in infrastructure, education, and R&D, foster investment to increase the housing supply and productivity, implement growth-enhancing tax reforms, and tackle key bottlenecks. Better aligning policies with long-term public policy objectives would improve the effectiveness of fiscal policy.

40. The fiscal position is strong, but substantial medium-term spending pressures should be tackled through structural fiscal reforms to increase room to maneuver. Fiscal space is substantial, but structural fiscal reforms are needed to tackle medium-term pressures, including: (i) in health care, reversing the reduction of deductibles, increasing co-payments, and adjusting the basic policy package, while supporting solidarity; (ii) in pensions, linking the retirement age to greater life expectancy for tax-funded old-age pensions; (iii) in climate, moving away from fuel subsidies to revenue-generating carbon pricing/taxation.

41. The financial sector is generally resilient to shocks, although risks have risen and are elevated warranting continued close monitoring. Increased financial market volatility amidst heightened trade policy tensions and uncertainty poses a significant risk, as it leaves investment and pension funds vulnerable to liquidity stress. Conditions in the overheating residential real estate market should be carefully monitored and borrower-based macroprudential measures recalibrated towards minimizing financial risks. A significant increase in housing supply is needed to boost affordability, facilitate accessibility, and reduce banking and insurance risks from mortgage exposures. Efforts to adapt supervisory approaches to a rapidly changing environment and ensure supervisory authorities' access to granular data, and operational readiness of resolution plans and crisis preparedness and management—in line with 2024 FSAP advice—should continue.

42. Addressing critical growth bottlenecks is a first-order priority. The Netherlands faces critical decisions on the allocation of scarce resources, including physical and emission space. These have become key growth bottlenecks. Tackling them requires developing a legally robust and future-oriented strategy to reduce nitrogen depositions and accelerating plans to address electricity grid congestion.

43. Structural reforms are also needed to uphold productivity, human capital, and potential growth. These will also boost investment and help rebalance the external position, which is assessed in 2024 to be substantially stronger than the level implied by medium-term fundamentals and desirable policies. Specifically, labor market and human capital reforms should focus on improving education outcomes and vocational training, reducing labor market duality, and better integrating migrants. Other productivity-boosting reforms include enhancing business dynamism to promote allocative efficiency, encouraging productivity-enhancing investment (e.g., through improved access to finance for SMEs via capital market reforms, and promoting productivity spillovers. Finally, speedy implementation of the proposed capital taxation reform and efforts to further rationalize tax expenditures will reduce distortions and enhance efficiency and equity.

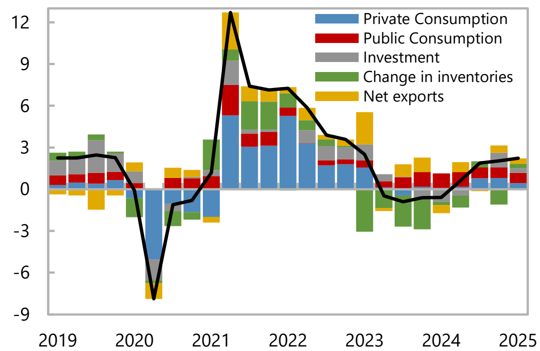
44. Meeting national and European climate goals will require stronger policies; these would reduce uncertainty and build public support. Clear and consistent policies are required to provide investment certainty for the private sector. The EU climate agenda—including introduction of CBAM, phasing out of free ETS allowances, and expansion of ETS coverage—will facilitate progress, although impacts on low-income households will need to be carefully managed.

45. It is recommended that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 15. The Netherlands: Economic Activity

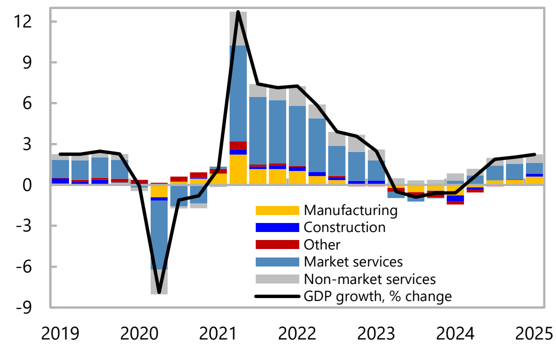
In 2024, the main drivers of growth were private and public consumption…

Contributions to GDP Growth
(Percentage points, annualized, 4q moving average)



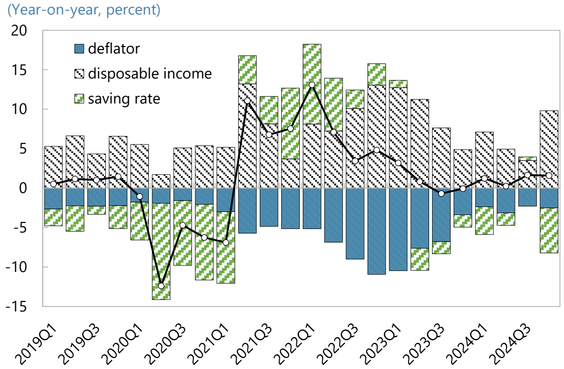
… as well as the services sector.

Contributions to GDP Growth
(Percentage points, annualized 4q moving average)



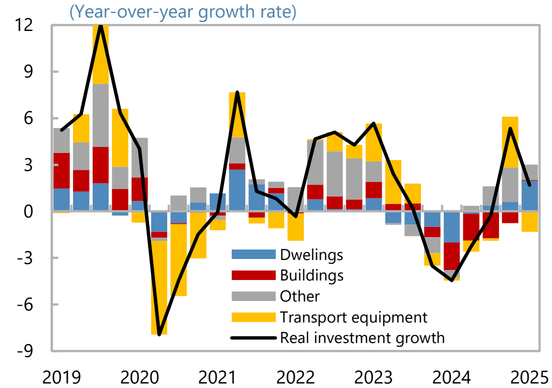
While households began saving more from 2023, the growth of disposable income supported consumption.

Real Private Consumption Growth
(Year-on-year, percent)



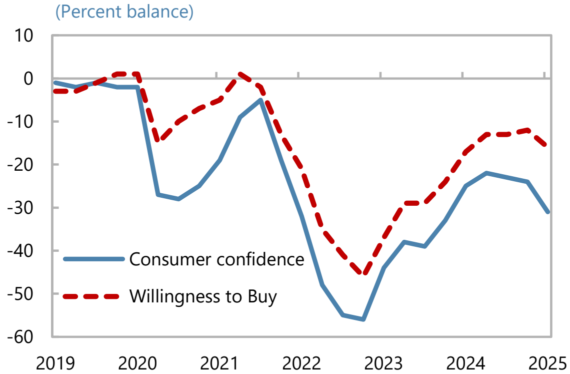
While dwellings support recent overall investment growth, the business investment trend remains sluggish.

Contributions to Investment Growth
(Year-over-year growth rate)



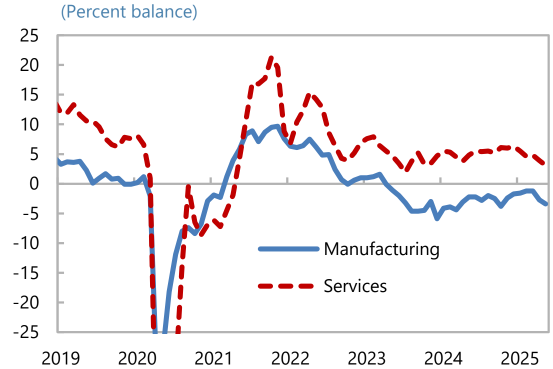
Consumer sentiment remained broadly stable in 2024 but started to weaken again in 2025.

Consumer Sentiment
(Percent balance)



Amid high uncertainties, business confidence also began to decrease in 2025.

Business Confidence
(Percent balance)



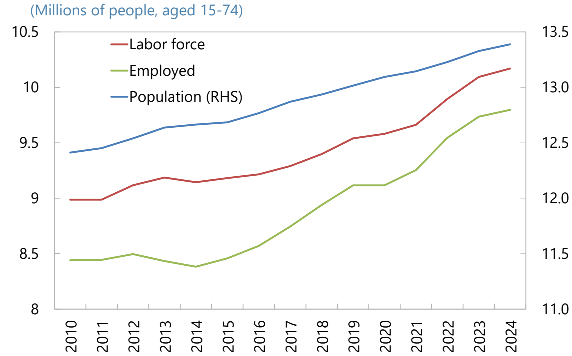
Sources: CBS, DNB, Haver Analytics, and IMF staff calculations.

Figure 16. The Netherlands: Labor Market

Both employment and the labor force have increased as the working-age population continues to grow.

Population, Labor Force and Employment

(Millions of people, aged 15-74)

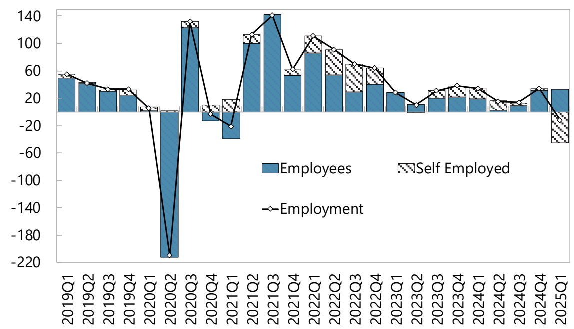


Sources: CBS and Haver Analytics.

Rules against false self-employment led to a drop in self-employed in 2025Q1, with many likely resulting in a transition to employee status.

Employment Growth

(Thousand persons, changes from previous quarter)

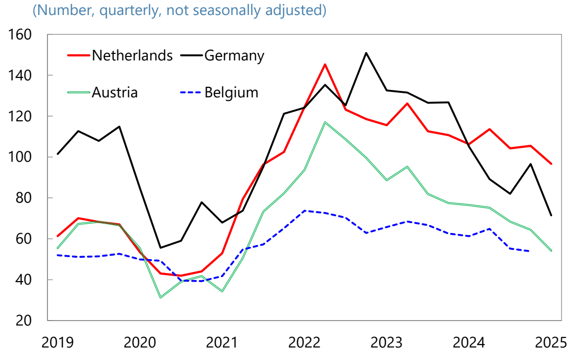


Sources: Haver Analytics and IMF staff calculations.

While easing gradually, the labor market remains tight relative to peers.

Vacancies per 100 Unemployed

(Number, quarterly, not seasonally adjusted)

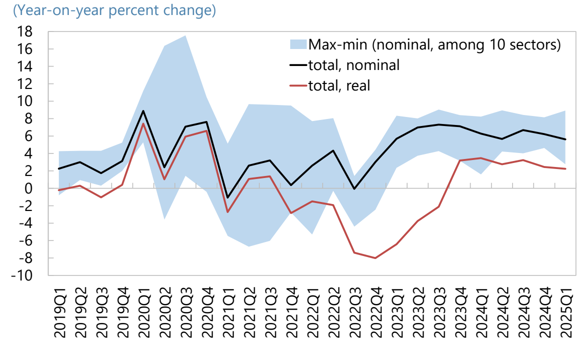


Sources: Haver Analytics; and IMF staff calculations.

Nominal hourly wage growth lagged inflation, but real wages have increased since 2023Q4.

Hourly Gross Wage Growth Rate

(Year-on-year percent change)

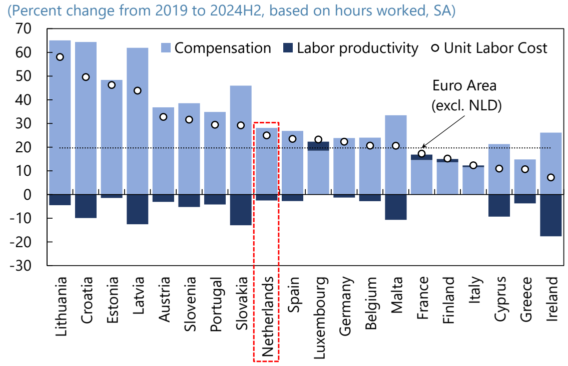


Sources: Haver Analytics and IMF staff calculations.
Note: Real wage growth is deflated by the HICP adjusted for the break.

Higher wage and lower labor productivity growth have increased the unit labor cost relative to the Euro Area.

Changes in Unit Labor Cost (EA)

(Percent change from 2019 to 2024H2, based on hours worked, SA)

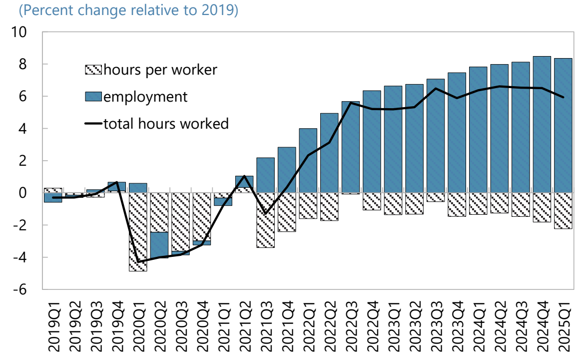


Sources: Eurostat and IMF staff calculations.

Total working hours increased due to an increase in employment, while hours per worker remain below the pre-pandemic level.

Working Hours

(Percent change relative to 2019)

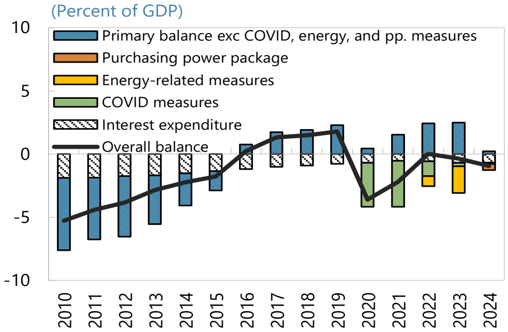


Sources: Haver Analytics and IMF staff calculations.

Figure 17. The Netherlands: Fiscal Developments

In 2022–24, the fiscal balance was better than budgeted, despite demand supporting measures…

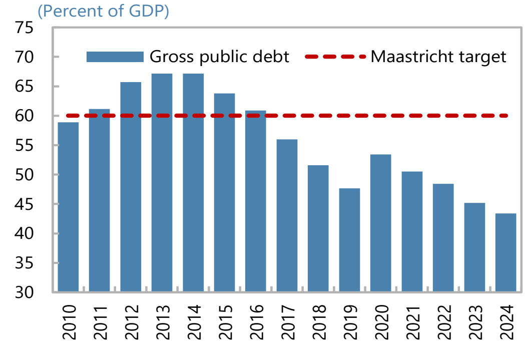
Overall Balance
(Percent of GDP)



Source: Haver Analytics and IMF staff calculations.
Note: * IMF staff estimates.

…while public debt fell to an estimated 43.3 percent of GDP in 2024, below pre-pandemic levels.

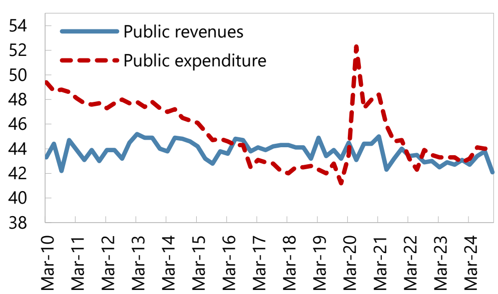
Gross Public Debt
(Percent of GDP)



Source: Haver Analytics and IMF staff calculations.

Lower energy prices, underspending and higher revenues helped correct the deficit in 2023–24…

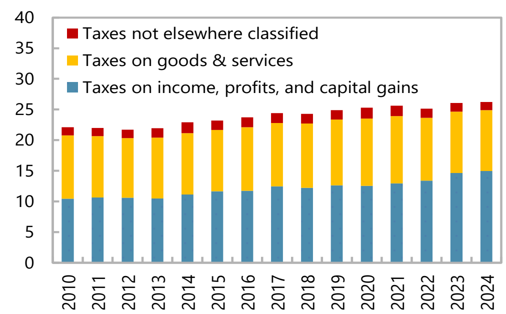
General Government Revenue and Expenditure
(Percent of GDP)



Source: CBS and Haver Analytics.

…with notable increase in the share of taxes on income, profits, and capital gains in post-COVID era.

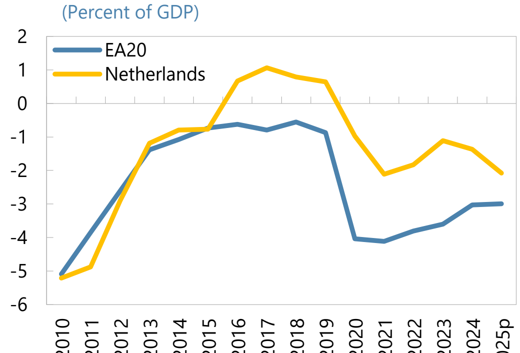
Tax Revenues
(Percent of GDP)



Source: CBS and IMF calculations.

While better than the average for the euro area, the cyclically adjusted balance is projected to deteriorate…

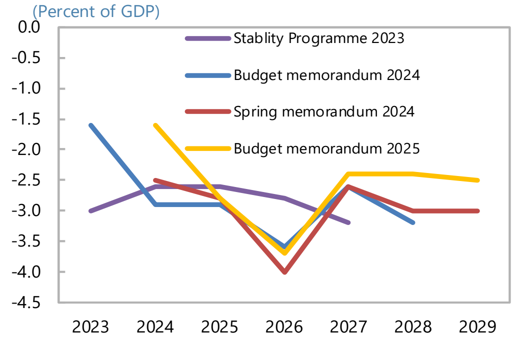
Cyclically Adjusted Balance
(Percent of GDP)



Source: IMF WEO database.

…driven by the fiscal support measures in the 2025 budget.

General Government Balance: Authorities Projections
(Percent of GDP)



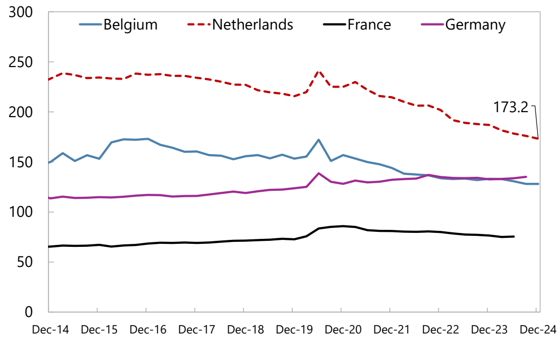
Source: Ministry of Finance of The Netherlands.

Figure 18. The Netherlands: Financial Sector Developments

Corporate debt is declining but still elevated…

Corporate Debt

(Percent of GDP)

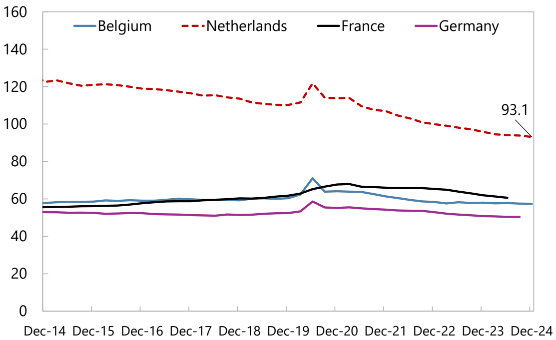


Sources: NBB, ECB, and Haver Analytics.

…and so is household debt.

Household Debt

(Percent of GDP)

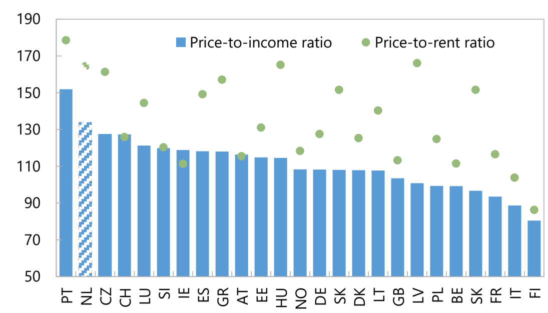


Sources: NBB, ECB, and Haver Analytics.

Price-to-rent and price-to-income ratios are higher than in other European countries.

Housing Valuations, Q4 2024

(Index, 2015 = 100)

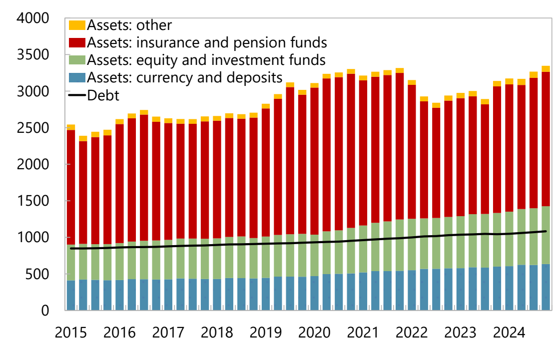


Source: OECD.

Household financial assets surpass debts, but a large share of assets is less liquid.

Household Debt and Financial Assets

(EUR billion)

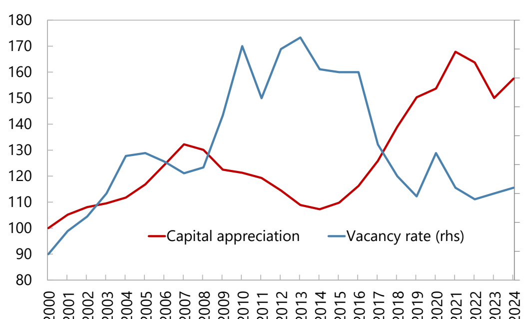


Sources: CBS and ECB.

The commercial real estate market is recovering.

CRE Prices and Vacancy Rate

(LHS: Index, 2000 = 100; RHS: Percent)

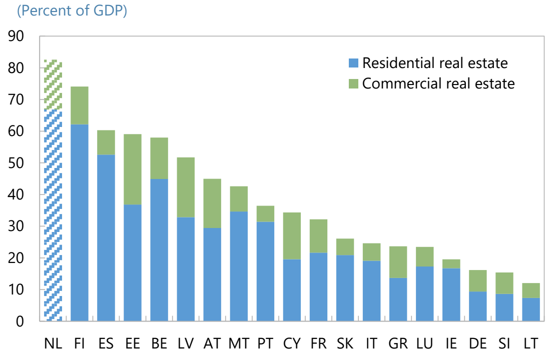


Source: MSCI.

Banking sector real estate exposures remain significant and comparatively high.

Euro Area Banks: Real Estate Exposure, 2024Q4

(Percent of GDP)

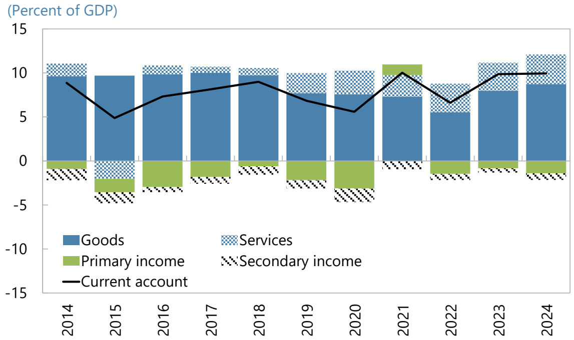


Sources: EBA and IMF staff calculations.

Figure 19. The Netherlands: External Sector Developments

The current account surplus remained stable in 2024.

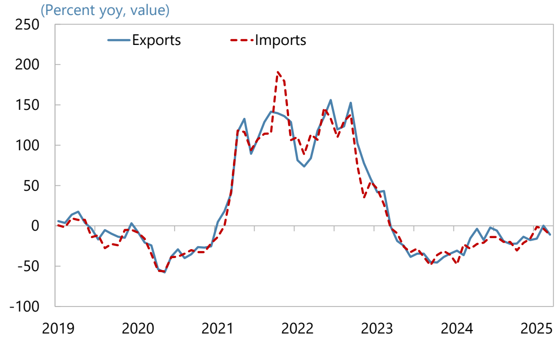
Current Account
(Percent of GDP)



Sources: CBS, Eurostat, and IMF staff calculations.

Trade values declined, reflecting weaker demand and lower energy prices.

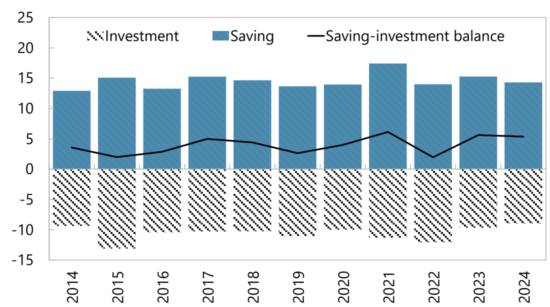
Trade Developments
(Percent yoy, value)



Sources: CBS, and Haver Analytics.

Savings and investment were stable, amid continued labor cost pressures.

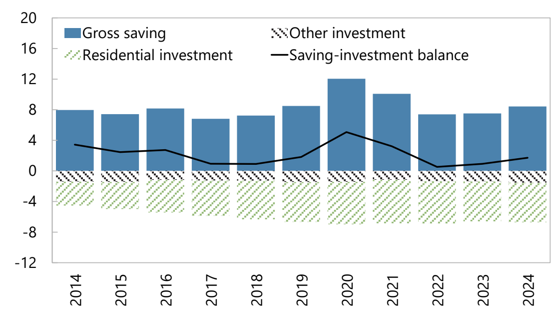
NFCs: Saving and Investment
(Percent of GDP)



Sources: CBS, Eurostat, and IMF staff calculations.

Household savings slightly recovered, supported by high wage growth.

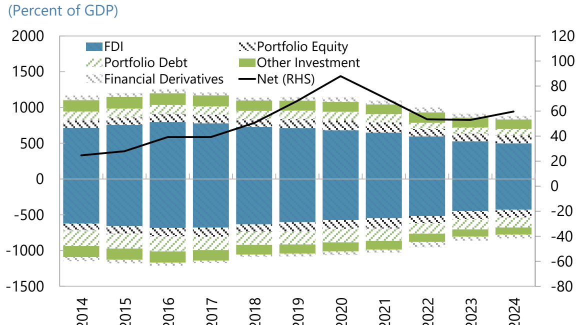
Households: Saving and Investment
(Percent of GDP)



Sources: CBS, Eurostat, and IMF staff calculations.

The net IIP recovered slightly, mainly driven by portfolio and other investments.

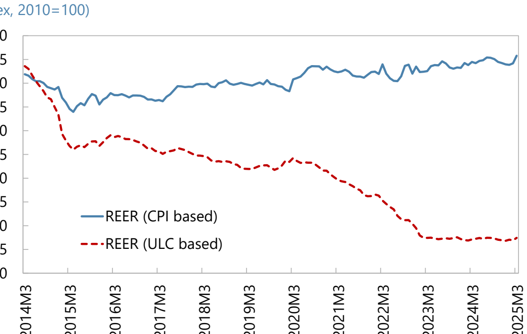
External Assets and Liabilities
(Percent of GDP)



Sources: CBS, DNB, and IMF staff calculations.
Note: Positive numbers are assets, negative are liabilities.

The CPI-based and ULC-based REER stabilized.

Real Effective Exchange Rate
(Index, 2010=100)

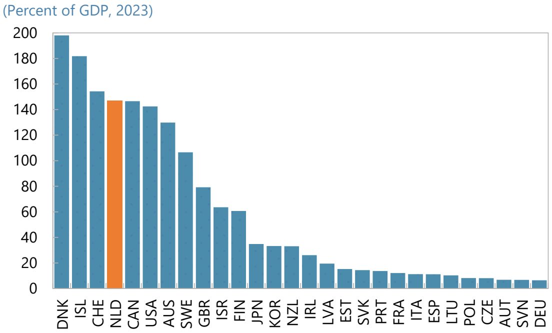


Source: IMF staff calculations.

Figure 20. The Netherlands: Pension Funds

The Dutch pension fund sector is the fourth largest (by asset size) in the world.

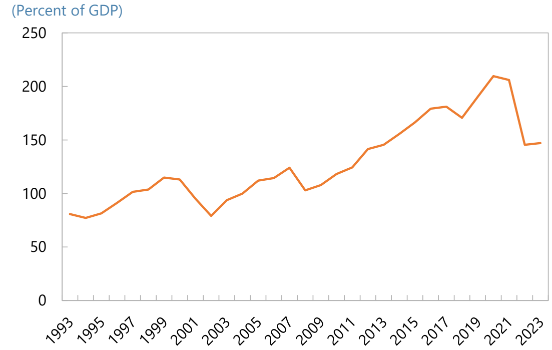
Size of the Pension Fund Sector
(Percent of GDP, 2023)



Source: OECD.
Note: Data for Switzerland is from 2022.

The sector's size declined during 2020–22 due to equity and bond market downturns.

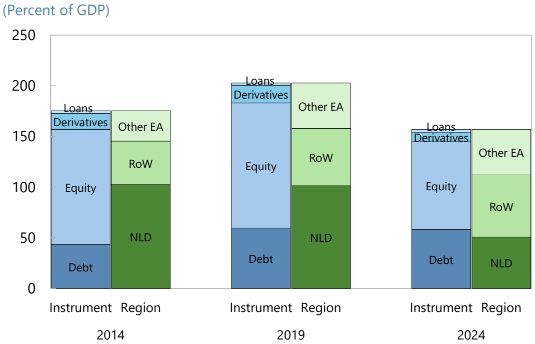
The Netherlands: Size of the Pension Fund Sector
(Percent of GDP)



Source: OECD.

Shares account for a smaller portion of assets than they did ten years ago.

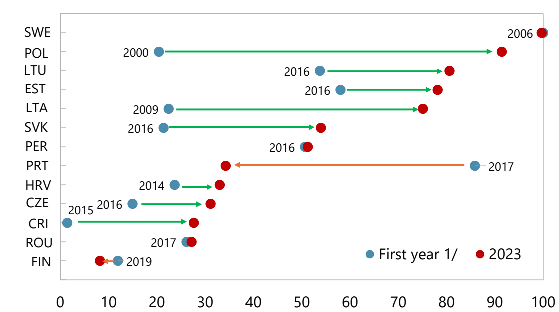
Pension Funds' Asset Allocation
(Percent of GDP)



Sources: DNB and IMF Staff Calculations.

Defined-contribution schemes' equity holdings typically increase gradually overtime.

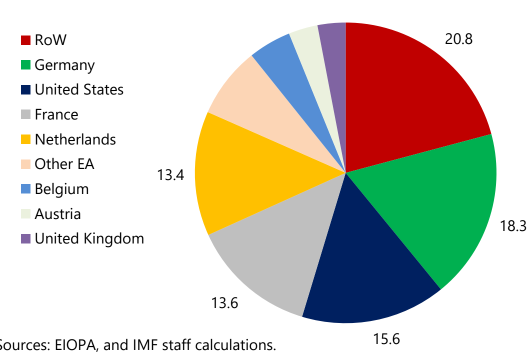
Equity Exposure in Defined Contribution Pension Schemes
(Percentage of total assets)



Source: OECD.
1/ First year for which data is available following beginning of transition to DC.

Debt exposure is concentrated in domestic, German, French and US bonds.

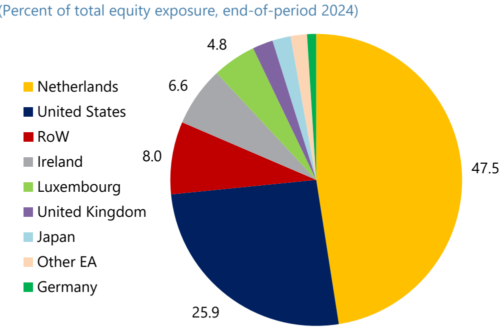
Pension Funds' Debt Securities Exposure by Country
(Percent of total debt exposure, end-of-period 2024)



Sources: EIOPA, and IMF staff calculations.

Equity holdings are concentrated domestically and in the US.

Pension Funds' Equity Exposure by Country
(Percent of total equity exposure, end-of-period 2024)



Sources: EIOPA, and IMF staff calculations.

Table 1. The Netherlands: Medium Term Macroeconomic Framework 2020–30
(Growth rates, in percent, except where otherwise indicated)

	2020	2021	2022	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
National Accounts											
Real GDP	-3.9	6.3	5.0	0.1	1.0	1.1	1.2	1.4	1.4	1.3	1.2
Domestic demand	-4.2	6.0	5.0	-0.9	1.0	1.5	1.4	1.5	1.5	1.4	1.4
Private consumption	-6.1	4.5	6.9	0.8	1.2	1.1	1.3	1.4	1.4	1.4	1.3
Public Consumption	1.6	4.7	1.3	2.9	3.6	2.0	1.0	1.5	1.3	1.3	1.3
Gross fixed investment (total)	-2.5	2.4	3.4	1.3	-0.5	0.3	1.2	1.4	1.7	1.6	1.6
Public	4.3	-1.3	-3.0	2.0	3.0	1.6	2.3	1.1	1.1	1.0	1.0
Private	-3.8	3.2	4.7	1.2	-1.2	0.1	1.0	1.4	1.8	1.7	1.7
Residential	-0.4	5.8	1.1	-1.5	-0.9	3.0	2.0	1.0	1.6	1.6	1.6
Business	-5.4	2.0	6.4	2.4	-1.3	-1.2	0.5	1.6	1.8	1.8	1.7
Stocks (contribution to GDP growth)	-0.9	1.7	0.5	-2.1	-0.5	0.2	0.1	0.0	0.0	0.0	0.0
Exports goods and services	-3.8	7.0	4.4	-0.5	0.4	0.6	1.6	2.8	2.6	2.6	2.6
Imports goods and services	-4.1	6.7	4.4	-1.7	0.3	1.0	1.8	3.1	2.9	2.9	2.9
Domestic demand (contribution to GDP growth)	-3.8	5.4	4.5	-0.8	0.9	1.3	1.2	1.3	1.3	1.2	1.2
External demand (contribution to GDP growth)	-0.1	0.9	0.5	0.9	0.1	-0.2	0.0	0.1	0.0	0.0	0.0
Output gap	-4.3	-0.1	3.1	1.4	0.7	0.2	0.0	0.0	0.0	0.0	0.0
Potential output growth	1.8	1.8	1.8	1.7	1.7	1.6	1.5	1.4	1.4	1.3	1.2
Gross investment (percent of GDP)	21.4	22.2	22.9	20.0	19.3	19.6	19.6	19.6	19.6	19.6	19.7
Gross national saving (percent of GDP) 1/	26.9	32.2	29.5	29.8	29.2	29.7	29.5	29.6	29.6	29.7	29.9
Prices and Employment											
Consumer price index (headline, period avg.)	1.1	2.8	11.6	4.1	3.2	3.0	2.4	2.0	2.0	2.0	2.0
Consumer price index (headline, eop.)	0.9	6.5	11.1	1.1	4.0	2.5	2.0	2.0	2.0	2.0	2.0
Consumer price index (core, period avg.)	2.1	1.6	5.5	7.3	3.5	3.6	2.5	2.0	2.0	2.0	2.0
Consumer price index (core, eop.)	2.0	2.4	8.5	3.8	4.4	2.9	2.0	2.0	2.0	2.0	2.0
GDP deflator	2.4	2.7	6.2	7.3	5.2	2.7	2.2	2.0	2.0	2.1	2.1
Employment	0.0	1.5	3.2	2.0	0.6	0.2	0.1	0.0	0.0	0.0	0.0
Unemployment rate (percent) 2/	4.9	4.2	3.5	3.6	3.7	3.8	4.0	4.2	4.3	4.4	4.5
External											
Current account balance (percent of GDP)	5.6	10.0	6.6	9.9	9.9	10.1	9.9	10.0	10.0	10.1	10.2
Public Sector Accounts (Percent of GDP)											
Revenue	44.2	43.7	43.3	42.8	43.0	42.8	43.0	43.5	43.6	43.8	44.0
Expenditure	47.8	45.9	43.2	43.2	44.0	45.0	46.0	45.8	46.0	46.4	46.7
General government balance	-3.6	-2.2	0.0	-0.4	-0.9	-2.2	-3.0	-2.4	-2.4	-2.6	-2.7
Structural balance (percent of potential GDP) 3/	2.1	1.3	0.0	-0.5	-1.4	-2.4	-2.3	-2.4	-2.4	-2.6	-2.7
Cyclically-adjusted balance (percent of potential GDP)	-1.0	-2.1	-1.9	-1.2	-1.4	-2.4	-3.0	-2.4	-2.4	-2.6	-2.7
General government debt	53.4	50.5	48.4	45.2	43.3	43.8	45.3	46.1	46.8	47.9	49.0

Sources: Dutch official publications, International Monetary Fund, International Financial Statistics, and IMF staff calculations.

1/ Value implied by investment and current account data.

2/ ILO definition.

3/ Structural balance excludes one-offs such as pandemic support and the price-cap measures.

Table 2a. The Netherlands: General Government Statement of Operations, 2020–30

(Percent of GDP)

	2020	2021	2022	2023	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Revenue	44.2	43.7	43.3	42.8	43.0	42.8	43.0	43.5	43.6	43.8	44.0
Taxes	25.3	25.6	25.1	26.1	26.2	25.8	25.9	26.4	26.4	26.5	26.5
Taxes on production and imports	12.5	12.4	11.5	11.1	10.9	10.8	10.9	11.3	11.2	11.2	11.1
Current taxes on income, wealth, etc.	12.6	13.0	13.4	14.6	15.0	14.7	14.7	14.8	14.8	15.0	15.1
Capital taxes	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Social contributions	14.5	13.6	13.0	12.6	12.5	12.6	12.6	12.7	12.9	13.0	13.2
Grants	0.1	0.2	0.2	0.0	0.1	0.2	0.2	0.0	0.0	0.0	0.0
Other revenue	4.2	4.2	4.8	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Expenditure	47.8	45.9	43.2	43.2	44.0	45.0	46.0	45.8	46.0	46.4	46.7
Expense	47.6	45.7	43.1	43.1	43.9	44.9	46.0	45.7	45.9	46.3	46.6
Compensation of employees	8.9	8.5	8.3	8.3	8.6	8.7	8.5	8.4	8.1	7.9	7.6
Use of goods and services	6.3	6.4	6.1	6.3	6.5	6.7	6.7	6.9	6.8	6.8	6.7
Consumption of fixed capital	3.2	3.0	2.9	2.9	2.5	2.6	2.6	2.7	2.7	3.0	3.1
Interest	0.7	0.5	0.6	0.7	0.7	0.7	0.9	1.0	1.1	1.2	1.3
Subsidies	4.2	3.4	1.9	1.7	1.8	1.9	1.9	1.9	1.9	1.8	1.7
Grants	0.9	1.1	1.1	1.1	0.8	0.6	1.3	0.4	0.4	0.4	0.4
Social benefits	21.7	21.1	19.7	20.4	21.3	22.0	22.3	22.8	23.1	23.5	23.9
Other expense	1.7	1.7	2.4	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.8
Net acquisition of nonfinancial assets	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net Operating Balance	-3.4	-2.0	0.2	-0.2	-0.8	-2.1	-2.9	-2.3	-2.3	-2.5	-2.6
Net Lending/Borrowing	-3.6	-2.2	0.0	-0.4	-0.9	-2.2	-3.0	-2.4	-2.4	-2.6	-2.7
Net Acquisition of Financial Assets	2.4	0.9	2.7	-1.2	...	...	...	...	...	...	...
Currency and deposits	0.7	-0.6	0.8	-0.3	...	...	...	...	...	...	...
Securities other than shares	0.0	0.1	0.2	-0.2	...	...	...	...	...	...	...
Loans	0.5	0.3	0.5	-0.2	...	...	...	...	...	...	...
Shares and other equity	-0.6	0.0	0.1	-0.1	...	...	...	...	...	...	...
Insurance technical reserves	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Financial derivatives	-0.6	-0.3	-0.1	0.0	...	...	...	...	...	...	...
Other accounts receivable	2.4	1.3	1.2	-0.4	...	...	...	...	...	...	...
Net Incurrence of Liabilities	6.0	3.1	2.7	-0.8	...	...	...	...	...	...	...
Special Drawing Rights (SDRs)	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Currency and deposits	0.0	0.1	0.0	0.0	...	...	...	...	...	...	...
Securities other than shares	5.7	2.4	3.0	-0.7	...	...	...	...	...	...	...
Loans	-0.6	-0.2	-0.4	0.2	...	...	...	...	...	...	...
Shares and other equity	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Insurance technical reserves	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Financial derivatives	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Other accounts payable	0.8	0.8	0.1	-0.4	...	...	...	...	...	...	...
Memorandum Items											
Primary balance	-3.1	-1.8	0.4	0.1	-0.4	-1.6	-2.3	-1.5	-1.4	-1.6	-1.6
Structural balance (percent of potential GDP) 1/	2.1	1.3	0.0	-0.5	-1.4	-2.4	-2.3	-2.4	-2.4	-2.6	-2.7
Structural primary balance (percent of potential GDP)	2.8	1.9	0.6	0.2	-0.7	-1.7	-1.5	-1.4	-1.2	-1.4	-1.4
Cyclically-adjusted balance (percent of potential GDP)	-1.0	-2.1	-1.9	-1.2	-1.4	-2.4	-3.0	-2.4	-2.4	-2.6	-2.7
Gross Debt	53.4	50.5	48.4	45.2	43.3	43.8	45.3	46.1	46.8	47.9	49.0
Output gap	-4.3	-0.1	3.1	1.4	0.7	0.2	0.0	0.0	0.0	0.0	0.0
Nominal GDP (billions of euros)	816.5	891.6	993.8	1067.6	1134.1	1178.1	1218.6	1260.6	1303.9	1348.1	1393.2
Nominal GDP growth (percent)	-1.6	9.2	11.5	7.4	6.2	3.9	3.4	3.4	3.4	3.4	3.3
Real GDP growth (percent)	-3.9	6.3	5.0	0.1	1.0	1.1	1.2	1.4	1.4	1.3	1.2
GDP deflator growth (percent)	2.4	2.7	6.2	7.3	5.2	2.7	2.2	2.0	2.0	2.1	2.1

Sources: The Netherlands' Bureau for Economic Policy Analysis (CPB), Ministry of Finance, and IMF staff calculations.

1/ Structural balance excludes one-offs such as pandemic support and the price-cap measures.

Table 2b. The Netherlands: General Government Statement of Operations, 2020–30
(Billion euros)

	2020	2021	2022	2023	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Revenue	360.9	389.6	429.9	457.4	487.8	504.1	524.4	547.7	568.4	590.5	612.8
Taxes	206.6	228.5	249.8	278.2	297.6	304.0	316.2	332.9	344.3	356.7	369.5
Taxes on production and imports	101.8	110.3	114.0	118.8	123.8	127.8	132.9	142.0	146.4	150.4	154.6
Current taxes on income, wealth, etc.	102.5	115.5	133.0	156.3	170.1	172.6	179.4	186.8	193.6	201.7	210.1
Capital taxes	2.3	2.7	2.8	3.1	3.8	3.6	3.8	4.1	4.3	4.5	4.8
Social contributions	118.6	121.4	129.7	134.6	141.4	148.0	153.8	160.7	168.0	175.8	183.5
Grants	1.1	2.0	2.2	0.0	1.3	2.1	2.1	0.0	0.0	0.0	0.0
Other revenue	34.6	37.7	48.2	44.5	47.5	50.0	52.4	54.2	56.1	58.0	59.9
Expenditure	390.4	409.2	429.7	461.2	498.5	530.5	561.1	577.7	599.2	625.7	650.4
Expense	388.3	407.8	428.0	459.8	497.5	529.4	560.0	576.5	598.0	624.4	649.1
Compensation of employees	72.6	75.5	82.0	88.8	98.0	102.1	103.2	105.5	106.0	106.1	106.3
Use of goods and services	51.1	56.9	60.6	67.2	74.3	79.0	82.2	86.5	89.2	91.6	93.9
Consumption of fixed capital	25.8	26.9	29.2	30.9	28.8	30.1	32.2	33.6	35.3	40.9	43.8
Interest	5.7	4.8	5.7	7.3	7.7	8.8	10.4	12.5	14.7	16.3	17.5
Subsidies	33.9	30.5	19.2	18.0	20.0	22.4	23.6	24.5	24.3	24.4	24.0
Grants	7.7	9.9	11.2	11.9	8.7	7.6	16.1	5.6	5.6	5.6	5.6
Social benefits	177.3	188.0	195.9	218.0	241.0	259.3	272.3	287.7	301.1	316.5	333.6
Other expense	14.2	15.3	24.3	17.7	19.0	20.1	20.0	20.8	21.9	23.1	24.5
Net acquisition of nonfinancial assets	2.0	1.3	1.8	1.4	1.1	1.1	1.1	1.2	1.2	1.3	1.3
Net Operating Balance	-27.4	-18.3	1.9	-2.5	-9.6	-25.3	-35.6	-28.8	-29.7	-33.9	-36.2
Net Lending/Borrowing	-29.5	-19.6	0.1	-3.8	-10.7	-26.4	-36.7	-29.9	-30.9	-35.2	-37.5
Net Acquisition of Financial Assets	19.3	7.6	27.2	-12.6	...	...	...	...	...	...	...
Currency and deposits	5.7	-5.7	8.0	-3.3	...	...	...	...	...	...	...
Securities other than shares	-0.4	1.0	2.0	-2.0	...	...	...	...	...	...	...
Loans	3.9	2.4	5.2	-2.0	...	...	...	...	...	...	...
Shares and other equity	-4.6	0.4	0.9	-0.6	...	...	...	...	...	...	...
Insurance technical reserves	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Financial derivatives	-5.1	-2.3	-0.9	-0.1	...	...	...	...	...	...	...
Other accounts receivable	19.7	11.8	11.9	-4.7	...	...	...	...	...	...	...
Net Incurrence of Liabilities	48.6	27.3	27.2	-8.8	...	...	...	...	...	...	...
Special Drawing Rights (SDRs)	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Currency and deposits	-0.2	0.6	-0.2	0.0	...	...	...	...	...	...	...
Securities other than shares	46.9	21.6	30.3	-7.0	...	...	...	...	...	...	...
Loans	-4.8	-2.2	-4.1	2.2	...	...	...	...	...	...	...
Shares and other equity	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Insurance technical reserves	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Financial derivatives	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Other accounts payable	6.7	7.2	1.1	-4.0	...	...	...	...	...	...	...
Memorandum Items											
Primary balance	-25.2	-15.9	4.3	1.0	-4.3	-19.1	-28.0	-19.3	-18.3	-21.1	-22.3
Gross Debt	436.1	450.2	481.1	482.2	491.6	516.6	551.9	580.8	610.7	645.8	683.4
Nominal GDP (Euro bill.)	816.5	891.6	993.8	1067.6	1134.1	1178.1	1218.6	1260.6	1303.9	1348.1	1393.2

Sources: The Netherlands' Bureau for Economic Policy Analysis (CPB), Ministry of Finance, and IMF staff calculations.

Table 2c. The Netherlands: General Government Integrated Balance Sheet, 2014–23
(Percent of GDP)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Worth	14.8	15.1	15.4	19.3	21.7	24.4	22.4	22.8	29.5	29.2
Nonfinancial assets	60.9	59.4	57.7	56.6	55.8	54.6	56.9	54.7	53.5	52.1
Net Financial Worth	-46.1	-44.3	-42.4	-37.4	-34.1	-30.2	-34.6	-31.9	-24.0	-23.0
Financial assets	36.8	34.6	34.0	32.5	31.1	31.1	34.2	32.4	28.7	26.8
Currency and deposits	1.9	1.8	1.8	2.0	1.9	1.9	2.6	1.7	2.3	1.9
Securities other than shares	1.6	1.5	1.3	1.2	1.3	1.1	1.1	1.1	1.2	0.9
Loans	8.7	7.6	6.7	6.6	6.6	6.5	7.0	6.7	6.6	5.9
Shares and other equity	13.5	14.1	14.3	13.7	13.0	13.5	13.3	12.5	8.4	9.0
Insurance technical reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	3.4	2.5	2.1	1.5	1.0	1.0	0.6	0.3	0.0	0.0
Other accounts receivable	7.7	7.2	7.8	7.4	7.3	7.1	9.6	10.1	10.3	9.1
Liabilities	82.8	78.9	76.4	69.8	65.2	61.3	68.8	64.3	52.7	49.8
Special Drawing Rights (SDRs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.2	0.3	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Securities other than shares	61.7	57.8	56.2	51.4	47.9	44.9	52.0	48.3	38.6	36.8
Loans	14.2	13.7	12.9	11.4	10.3	10.0	9.6	8.5	7.3	7.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance technical reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	6.7	7.1	6.7	6.7	6.8	6.1	7.0	7.3	6.7	5.8

Sources: The Netherlands' Ministry of Finance, and IMF staff calculations.

Table 3. The Netherlands: External Sector, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Balance on Current Account	5.6	10.0	6.6	9.9	9.9	10.1	9.9	10.0	10.0	10.1	10.2
Trade Balance	7.6	7.3	5.5	8.0	8.7	8.0	7.8	7.7	7.6	7.5	7.4
Exports of goods	56.6	62.8	71.0	63.4	58.9	56.9	56.0	56.2	56.3	56.6	56.9
Imports of goods	49.0	55.6	65.4	55.4	50.2	48.9	48.2	48.5	48.8	49.1	49.5
Service Balance	2.7	2.5	3.2	3.2	3.4	3.2	3.2	3.2	3.1	3.1	3.0
Exports of services	24.6	23.6	25.5	25.1	25.2	24.8	24.6	24.7	24.8	24.9	25.0
Imports of services	21.9	21.2	22.2	21.9	21.8	21.6	21.4	21.5	21.7	21.8	22.0
Factor Income	-3.1	1.2	-1.5	-0.8	-1.4	-0.3	-0.2	0.0	0.2	0.4	0.7
Current transfers, net	-1.5	-0.9	-0.7	-0.5	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Balance on Capital Account	-0.1	0.0	10.6	-0.2	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Balance on Financial Account	5.9	9.2	17.1	8.7	9.3	10.0	9.9	9.9	9.9	10.0	10.1
Direct investment, net	-1.5	16.3	14.6	-2.0	2.1	3.9	3.9	3.9	3.9	3.9	3.9
Direct investment abroad	-25.1	5.0	15.6	-28.9	1.0	14.0	14.0	14.0	14.0	14.0	14.0
FDI in Netherlands	-23.6	-11.4	0.9	-26.9	-1.1	10.1	10.1	10.1	10.1	10.1	10.1
Portfolio investment, net	11.6	-13.5	-20.7	4.5	5.2	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7
Financial derivatives	-2.4	1.3	5.4	-0.8	1.1	0.5	0.5	0.5	0.5	0.5	0.5
Other investment	-1.8	3.9	17.7	6.9	0.9	7.0	6.9	6.9	6.9	7.0	7.1
Reserve assets	0.0	1.2	0.0	0.1	-0.1	0.3	0.2	0.2	0.2	0.2	0.2
Errors and Omissions, Net	0.4	-0.8	-0.1	-1.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0

Sources: DNB and IMF staff calculations.

Table 4. The Netherlands: Monetary Survey, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024
				(Billions of Euros, end of period)				
Net Foreign Assets	183.4	218.3	267.1	284.2	283.9	331.7	350.7	424.4
Claims on nonresidents	919.0	931.5	943.3	898.7	951.4	1077.8	1085.2	1195.9
Central Bank	127.0	150.9	101.5	92.2	65.7	147.3	118.4	149.0
Other Depository Corporations	792.1	780.6	841.7	806.5	885.7	930.5	966.8	1047.0
Liabilities to Nonresidents	-735.7	-713.2	-676.2	-614.4	-667.5	-746.1	-734.5	-771.5
Central Bank	-43.4	-69.0	-48.1	-60.2	-69.7	-49.6	-26.5	-22.7
Other Depository Corporations	-692.3	-644.2	-628.0	-554.2	-597.8	-696.5	-708.1	-748.8
Net Domestic Assets	1317.4	1278.5	1337.1	1399.4	1425.5	1577.7	1491.7	1441.8
Net Claims on Central Government	116.4	111.7	103.8	121.9	160.5	148.6	146.3	133.5
Claims on State and Local Government	47.6	49.1	50.9	49.5	49.2	48.4	47.3	47.7
Claims on Public Nonfinancial Corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on NBFIs	422.1	390.1	440.3	474.9	468.7	669.0	563.4	523.5
Claims on private sector	820.4	816.4	818.5	819.3	837.0	882.7	897.6	921.6
Corporates	305.7	305.6	297.1	284.3	288.6	300.7	301.1	306.0
Households	514.7	510.9	521.4	535.0	548.4	582.1	596.5	615.6
Capital and Reserves (-)	163.1	169.6	176.9	185.5	194.3	210.4	204.9	228.9
Other items, net (-, including discrepancy)	-73.9	-80.6	-100.5	-119.2	-104.4	-39.4	-42.0	-44.3
Broad Money	789.5	789.6	827.6	908.8	982.5	1041.5	1038.8	1052.3
Currency in Circulation	60.3	63.2	68.5	76.7	82.9	84.2	83.4	85.4
Transferable Deposits	289.3	279.9	308.2	372.2	438.3	449.2	368.5	369.9
Other Deposits	436.4	436.2	443.4	455.3	460.4	503.7	570.2	582.1
Securities	3.5	10.3	7.5	4.6	0.9	4.4	16.8	14.8
Other Liabilities	711.2	707.2	776.6	774.8	726.8	867.9	803.6	813.9
				(Annual percentage change)				
Net Foreign Assets	-11.7	19.0	22.4	6.4	-0.1	16.8	5.7	21.0
Net Domestic Assets	-4.3	-3.0	4.6	4.7	1.9	10.7	-5.5	-3.3
Claims on private sector	1.1	-0.5	0.2	0.1	2.2	5.5	1.7	2.7
Corporates	-2.0	0.0	-2.8	-4.3	1.5	4.2	0.2	1.6
Households	3.0	-0.7	2.1	2.6	2.5	6.1	2.5	3.2
Broad Money	2.2	0.0	4.8	9.8	8.1	6.0	-0.3	1.3
				(Billions of U.S. dollars, end of period)				
Net Foreign Assets	217.0	248.5	296.8	345.9	320.9	351.2	382.4	466.4
Net Domestic Assets	1559.3	1455.5	1485.9	1703.0	1611.3	1670.6	1626.4	1584.4
Claims on private sector	971.0	929.5	909.6	997.1	946.1	934.7	978.7	1012.7
Corporates	361.8	347.9	330.2	346.0	326.2	318.4	328.3	336.2
Households	609.2	581.6	579.4	651.1	619.9	616.3	650.4	676.5
Memorandum Items:								
Velocity (GDP/Broad Money)	1.0	1.0	1.0	0.9	0.9	1.0	1.0	1.1
Euros per U.S. dollar (end of period)	0.8	0.9	0.9	0.8	0.9	0.9	0.9	0.9

Sources: International Financial Statistics and IMF Staff.

Table 5. The Netherlands: Financial Soundness Indicators for the Banking Sector, 2014–24Q3

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
Capital adequacy													
Regulatory capital to risk-weighted assets	17.9	20.1	22.4	22.0	22.3	22.9	22.8	22.3	20.9	21.1	20.6	20.4	20.9
Tier 1 capital to risk-weighted assets	15.0	16.2	17.7	18.4	18.8	18.9	19.3	19.3	17.9	18.4	18.2	17.9	18.3
Common Equity Tier 1 capital to risk-weighted assets	...	...	...	...	...	16.8	17.4	17.3	16.1	16.5	16.2	16.0	16.2
Earnings and profitability													
Return on assets	0.3	0.6	0.6	0.7	0.7	0.6	0.3	0.7	0.6	1.0	1.0	1.0	1.0
Return on equity	6.6	10.8	10.1	12.8	11.7	7.6	3.2	8.8	7.978	11.5	11.8	11.8	12.1
Interest margin to gross income	77.7	73.5	64.8	73.5	54.8	55.0	54.3	47.9	49.7	65.2	64.4	63.6	62.6
Noninterest expenses to gross income	84.4	77.9	78.8	71.7	72.2	68.4	71.7	70.5	69.3	57.5	55.8	55.4	55.1
Personnel expenses to noninterest expenses	42.5	41.6	38.6	47.4	32.6	36.2	35.4	33.6	35.9	51.2	52.7	53.8	54.4
Asset quality													
Non-performing loans (NPL) as percent of gross loans	3.0	2.7	2.5	2.3	2.0	1.8	1.9	1.7	1.6	1.6	1.5	1.6	1.6
Provisions as percent of NPL						25.7	27.0	28.7	26.9	26.1	26.2	26.5	25.8
NPL net of provisions to capital	...	...	...	...	...	16.0	17.5	13.1	12.4	12.5	12.7	13.0	13.2
Liquidity													
Liquid assets to total assets	21.1	22.8	21.8	...	...	14.8	18.6	19.8	19.7	19.2	20.4	19.5	20.1
Liquid assets to short-term liabilities	162.5	169.7	167.0	...	...	...	...	32.5	28.8	28.0	29.5	28.0	28.7
Liquidity coverage ratio	...	...	...	...	...	137.7	168.0	162.3	152.6	163.2	150.5	155.6	151.8
Net stable funding ratio	...	...	...	...	...	168.6	150.2	135.6	133.6	135.5	136.9	136.8	136.4

Source: IMF Financial Soundness Indicators.

Annex I. External Sector Assessment

<table>
<tr><td colspan="6">Overall Assessment: The external position in 2024 was substantially stronger than the level implied by medium-term fundamentals and desirable policies. The Netherlands' status as a global trading hub, financial center, and host country for multinational corporations (MNCs)—complicates the external assessment, in particular because of the large and volatile primary income flows and measurement issues of portfolio equity retained earnings of MNCs. In 2024, the external current account (CA) surplus remained stable at 9.9 percent of GDP as in 2023. In the medium term, the CA surplus is expected to remain sizeable, reflecting lower than desirable investment, and structurally high private saving despite population aging.

Potential Policy Responses: Bringing the external position more in line with medium-term fundamentals and desirable policies will require boosting public investment and fostering private investment in infrastructure and housing and addressing growth bottlenecks from nitrogen and electricity grid congestion. Additionally, national and EU trade policies should seek to reduce trade barriers, minimize non-tariff barriers that restrict exports, and deepen regional, plurilateral, or multilateral economic integration.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="5">Background. Data refinements by Statistics Netherlands as part of its 5-yearly benchmark revisions—to include new data sources, adjust the classification of Dutch subsidiaries of foreign companies, and ensure consistency with trade partner data—resulted in significantly lower net direct and portfolio investment and downward revision of the NIIP from 71.8 percent to 52.9 percent of GDP in 2023. The NIIP increased to 59.6 percent of GDP in 2024. The increase was mainly driven by positive net transactions and price and exchange rate effects that affected the net stock of portfolio investments. FDI remains the largest component of the IIP, accounting for more than half of external assets and liabilities, reflecting the country's role as the seat for MNCs and its importance as a global financial center. Debt liabilities primarily comprise long-term debt securities (54 percent, of which 68 percent are denominated in euro and 23 percent are denominated in US dollars), currency and deposits (27 percent, of which 62 percent are denominated in euro), and long-term loans (6 percent).

Assessment. The Netherlands' safe haven status and its sizable foreign assets limit risks from its large foreign liabilities.</td></tr>
<tr><td>2024(% GDP)</td><td>NIIP: 59.6</td><td>Gross Assets: 888.7</td><td>Debt Assets: 220.5</td><td>Gross Liab.: 829.1</td><td>Debt Liab.: 240.4</td></tr>
<tr><td>Current Account</td><td colspan="5">Background. In 2024, the CA surplus is estimated to have remained stable at 9.9 percent of GDP (10.1 percent of GDP cyclically adjusted) as in 2023. A 0.9 ppt of GDP improvement in the goods and services balance, to 12.1 percent of GDP in 2024—due to a larger decline in imports than exports—was offset by primary and secondary income balance decreases by 0.6 and 0.3 ppt of GDP, respectively. Public net saving rebounded, with the phasing out of most support measures to cushion the impact of the energy price shock on households and corporations and under execution of investment. Private net saving remained robust supported by a strong labor market and high wage growth, despite significantly lower financial sector corporate saving. The Netherlands' role as a trading hub and financial center contributes to a structurally strong headline external position. MNCs based in the Netherlands record profits at their Dutch HQs while channeling a large part of their investment abroad in the form of FDI, keeping nonfinancial corporate saving high. Relatedly, measurement biases of portfolio equity retained earnings in official statistics may also contribute to an overstatement of the net accumulation of wealth that is attributed to Dutch residents, an issue of relevance for a country where the foreign ownership of publicly listed firms has been above 80 percent in recent years. The CA surplus is projected to remain large at 10.2 percent of GDP in 2025.

Assessment. The EBA CA model estimates a CA norm of 3.8 percent of GDP, against a cyclically adjusted CA surplus of 10.1 percent of GDP in 2024, implying an EBA CA gap of 6.2 percent of GDP. 4.1 percentage points of the CA gap are attributable to policy gaps, primarily reflecting a relatively tighter fiscal stance and a negative credit gap that remains wider than those abroad. The portfolio retained earnings bias is assessed at –2.2 percent of GDP based on the provision of granular data by DNB that allow for the attribution of aggregate net saving by firms to different segments of the</td></tr>
</table>

<table>
<tr><td></td><td colspan="6">corporate sector. Overall, the IMF staff assesses the CA gap to be in the range of 3.5 to 4.5 percent of GDP, with a mid-point of 4.0 percent of GDP. This gap partly reflects strong saving from the second-pillar retirement scheme with large coverage, robust replacement ratios, and strict pre-funding requirements.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 9.9</td><td>Cycl. Adj. CA: 10.1</td><td>EBA Norm: 3.8</td><td>EBA Gap: 6.2</td><td>Staff Adj.: –2.2</td><td>Staff Gap: 4.0</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The annual average CPI-based REER remained broadly stable, appreciating by 1.2 percent in 2024, as inflation in The Netherlands moderated, in line with its key trading partners'. The ULC-based REER depreciated by 0.4 percent, reflecting slightly lower labor cost increases compared to competitors. As of March 2025, the CPI-based REER (ULC-based REER) was 1.2 percent (0.4 percent) above its 2024 average.

Assessment. Assuming a semi-elasticity of the CA balance to the REER of 0.65, the IMF staff CA gap of 4.0 percent of GDP implies a REER undervaluation in the range of 5.4 to 7.0 percent, with a midpoint of 6.2 percent. EBA REER model estimates for 2024 range from an overvaluation of 6.2 percent (level model) to 19.1 percent (index model), largely reflecting unexplained residuals Consistent with the staff CA gap, the IMF staff assesses the REER as undervalued by about 5.4 to 7.0 percent, with a midpoint of 6.2 percent.</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. About 20 percent of gross foreign assets and liabilities are attributable to special-purpose entities, financial vehicles with marginal operational footprints in The Netherlands that contribute to substantial yet hard-to-interpret capital flows. Separately, a notable part of capital outflows represents the channeling of corporate profits by multinationals abroad as FDI.

Assessment. The strong external position limits vulnerabilities to capital outflows. The financial account deficit is likely to remain as it is primarily the flip side of a CA recording sustained—and structural—surpluses.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. The euro has the status of a global reserve currency.

Assessment. Reserves held by the euro area are typically low relative to standard metrics, but the currency floats freely.</td></tr>
</table>

Annex II. Risk Assessment Matrix[1]

Source of Risks, Relative Likelihood	Expected Impact	Policy Response
Global Risks		
High **Trade policy and investment shocks.** Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High The Netherlands is vulnerable to global supply chain disruptions and weaker investor confidence due to strong real and financial cross-border linkages and the presence of large multi-national corporations.	• Strengthen productivity and international competitiveness by accelerating structural reforms. • Support strengthening the EU single market by lowering internal barriers. • Monitor impact on financial markets and recalibrate buffers as warranted to preserve financial stability.
Medium **Tighter financial conditions and systemic instability.** Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in crypto assets, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium Tighter financial conditions could negatively impact leveraged households and firms, resulting in a housing market correction and financial market disruptions, and weighing on overall economic activity.	• Ensure intensive monitoring of financial conditions and impacts and make use of available macro-prudential buffers to absorb losses and sustain credit provision. • Allow automatic stabilizers to operate and employ well-targeted support measures to protect the most vulnerable groups if necessary.
Medium **Regional conflicts.** Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium While direct links with Russia and Ukraine are limited, an escalation of the war or of other regional conflicts would affect the economy via indirect growth spillovers and rekindled inflation from higher commodity prices.	• Allow automatic stabilizers to operate and employ well-targeted support measures to protect the most vulnerable groups if necessary.
Medium **Commodity price volatility.** Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium Higher energy/commodity prices could add to inflation pressures. Heightened uncertainty could also weigh on consumer and business confidence.	• Enhance the resilience of supply chains for essential commodities by diversifying suppliers. • Provide well-targeted support measures to vulnerable households if necessary. • Increase renewable energy capacity and accelerate the green transition.
High **Deepening geoeconomic fragmentation.** Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High The Netherlands is vulnerable to supply disruptions and weaker investor confidence due to strong cross-border real and financial linkages and the presence of large multi-national corporations.	• Strengthen productivity and international competitiveness by accelerating structural reforms. • Continue to support global cooperation and multilateralism in collaboration with partners.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Source of Risks, Relative Likelihood	Expected Impact	Policy Response
Medium **Climate change.** Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	High The Netherlands is particularly vulnerable from flooding in case of sharp sea-level rises or adverse weather events. Droughts would also threaten housing infrastructure.	• Enhance climate mitigation policies by striking an enhanced balance among regulation, pricing, and subsidies. • Strengthen climate adaptation by focusing on: (i) integrating adaptation into government long-term planning; (ii) prioritizing adaptations with large positive externalities; and (iii) removing barriers to private adaptation while addressing distributional concerns.
High **Cyberthreats.** Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	Medium Possible disruptions in economic activity, given the Netherlands' high degree of digitalization.	• Continue to invest in cyber defense by strengthening the operational resilience of the financial system. • Continue to perform coordinated cyber security testing regularly.
Domestic Risks		
High **Labor shortages.** A tight labor market, including due to skill mismatches and outright shortages.	High Growth bottlenecks intensify as required investment are delayed, lowering potential growth. Shortages put upwards pressure on wages, and inflation, and lower competitiveness.	• Implement policies to reduce labor market duality and promote extending working hours, especially among part-time workers. • Promote training and labor mobility towards priority sectors (e.g., green transition, digitalization, and health) • Improve education outcome to prepare the future workforce better. • Better integrate migrants into the labor market.
Medium **Inflation remains higher for longer.** Inflation proves to be sticker as demand outpaces supply in the context monetary easing; higher inflation becomes the new normal and risks de-anchoring expectations.	Medium Higher inflation relative to the euro area becomes entrenched, which erodes competitiveness and lowers real incomes and savings.	• Address labor shortage to moderate wage growth. • Strengthen productivity by accelerating the structural reforms. • Recalibrate fiscal policy to support disinflation.
Medium **Domestic policy uncertainty.** Impasses could lead to abrupt changes in the direction of economic policies.	Medium Economic policy uncertainties (e.g. nitrogen and climate policies) raise the risk of supply disruptions, stranded assets, and affect investment and growth.	• Further strengthen social dialogue and build political consensus to agree on the main reform priorities.

Annex III. Debt Sustainability Analysis

Figure 1. The Netherlands: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Low	Staff assess the overall risk of sovereign stress as low, reflecting a relatively low level of vulnerability in the near- and medium-term horizons, and a moderate vulnerability in the long-term horizon.
Near term 1/			
Medium term	Low	Low	Staff assess medium-term risks as low, consistent with the mechanical signals. This largely reflects strong institutions and favorable debt structure of the Netherlands (long maturities, stable investor base and euro-denominated debt predominantly at fixed rates). The Fan chart module signals a moderate risk, reflecting uncertainty around the outlook.
Fanchart	Moderate	…	
GFN	Low	…	
Stress test		…	
Long term	…	Moderate	Staff assess long-term risks as moderate as spending pressures from challenges such as aging healthcare, and climate change feed into debt dynamics. Previous studies by the authorities suggest growing spending pressures from health and long-term care, ageing, and climate change over the medium- to long-term.
Sustainability assessment 2/	Not required for surveillance countries	Sustainable	Not required for surviellance countries.
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: The Netherlands is at a low overall risk of sovereign stress and debt is sustainable. At 43.3 percent of GDP, gross public debt has been contained through consecutive shocks, falling by about 10 percentage points of GDP since the pandemic. The low interest rate environment of previous years and favorable debt structure kept debt servicing costs contained. This, along with the strong post-pandemic recovery and better than expected fiscal outturns ensured public debt/GDP ratio remained among the lowest in the euro area. However, over the longer term, the Netherlands should undertake reforms to tackle fiscal pressures from challenges such as ageing, healthcare, defense, and climate change.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. The Netherlands: Debt Coverage and Disclosure

	CG	GG	NFPS	CPS	Other	Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

Sector	#	Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	Not applicable
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	Yes	
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:

Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-government Debt Holdings

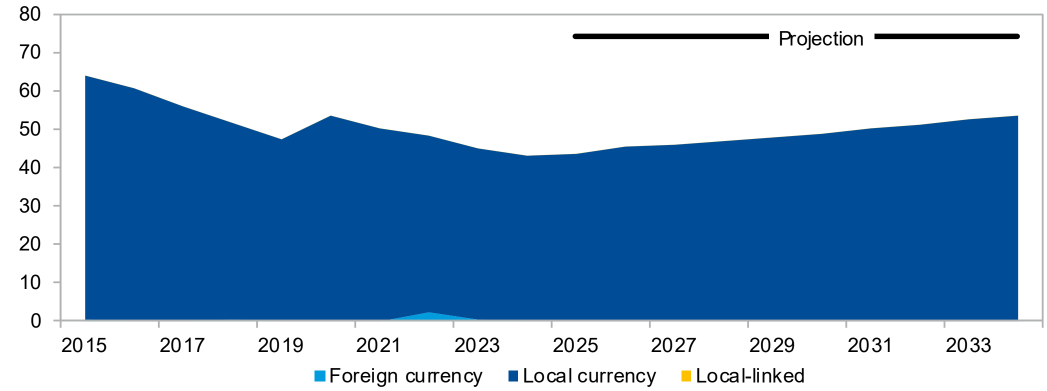
Issuer \ Holder	#		Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The debt coverage remains unchanged from the last Article IV -- i.e., it covers general government debt, with most debt issued by the federal (central) government.

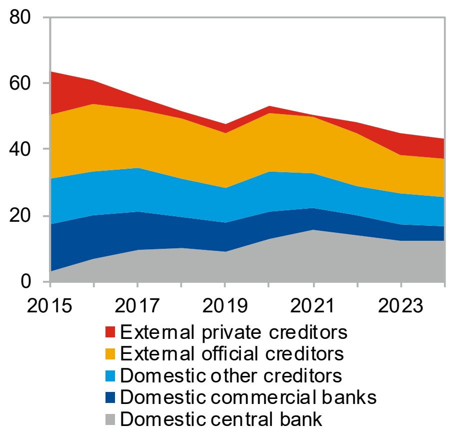
Figure 3. The Netherlands: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



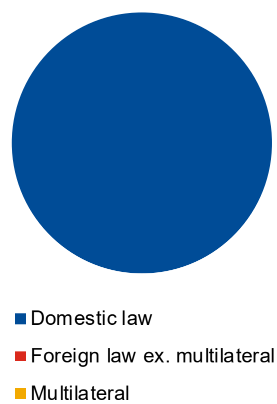
Note: The perimeter shown is consolidated public sector.

Public Debt by Holder (Percent of GDP)



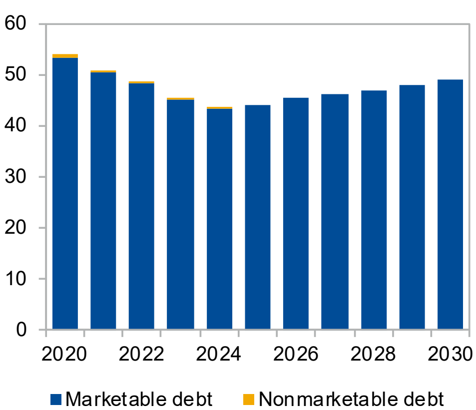
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



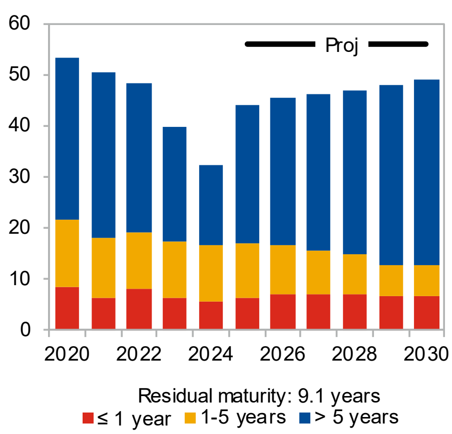
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is in domestic currency and marketable. The relatively long average maturity of the debt portfolio (8 1/2 years) and debt primarily on fixed rates are important buffers in the higher interest rate environment.

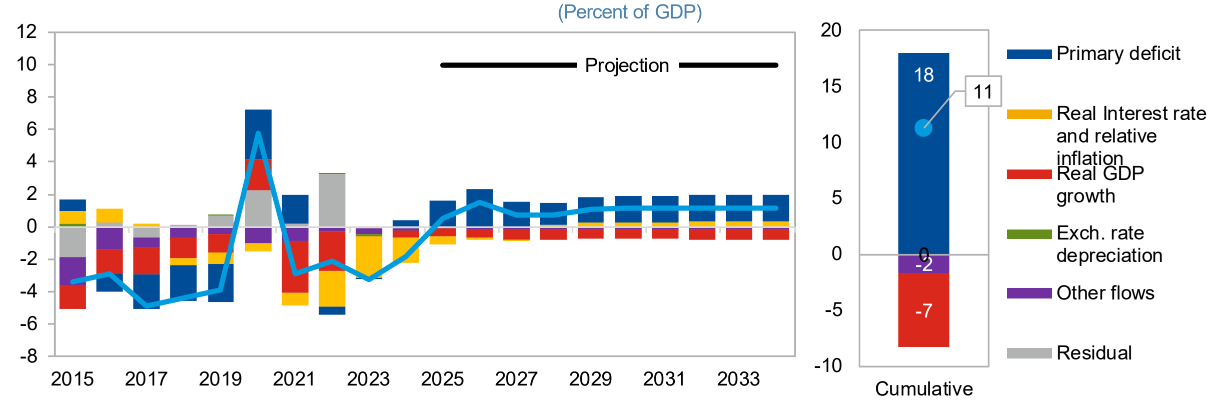
Figure 4. The Netherlands: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	43.3	43.8	45.3	46.1	46.8	47.9	49.0	50.2	51.4	52.5	53.7
Change in public debt	-1.8	0.5	1.5	0.8	0.7	1.1	1.1	1.2	1.2	1.2	1.2
Contribution of identified flows	-1.7	0.5	1.5	0.8	0.7	1.1	1.1	1.2	1.2	1.2	1.2
Primary deficit	0.4	1.6	2.3	1.5	1.4	1.6	1.6	1.6	1.6	1.6	1.6
Noninterest revenues	42.9	42.7	42.9	43.3	43.4	43.6	43.8	43.7	43.6	43.6	43.6
Noninterest expenditures	43.3	44.3	45.2	44.8	44.8	45.2	45.4	45.3	45.2	45.2	45.2
Automatic debt dynamics	-2.0	-1.0	-0.7	-0.6	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Real interest rate and relative inflation	-1.5	-0.5	-0.1	0.0	0.1	0.3	0.3	0.3	0.3	0.4	0.4
Real interest rate	-1.5	-0.5	-0.1	0.0	0.1	0.3	0.3	0.3	0.3	0.4	0.4
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Real exchange rate	0.0	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	6.8	3.8	9.0	8.5	8.6	9.0	8.6	8.7	8.1	7.8	6.8
of which: debt service	6.5	2.3	6.8	7.2	7.4	7.6	7.2	7.3	6.6	6.3	5.4
Local currency	5.9	2.3	6.8	7.2	7.4	7.6	7.2	7.3	6.6	6.3	5.4
Foreign currency	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	1.0	1.1	1.2	1.4	1.4	1.3	1.2	1.2	1.2	1.2	1.2
Inflation (GDP deflator; percent)	5.2	2.7	2.2	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Nominal GDP growth (percent)	6.2	3.9	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3
Effective interest rate (percent)	1.6	1.5	1.8	2.0	2.3	2.7	2.7	2.7	2.7	2.8	2.8

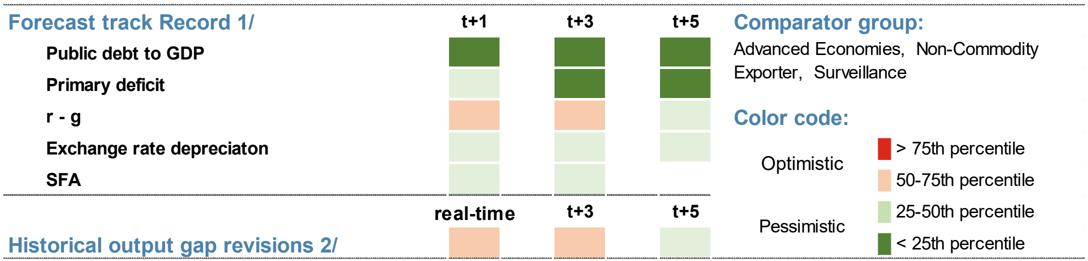
Contribution to Change in Public Debt

(Percent of GDP)



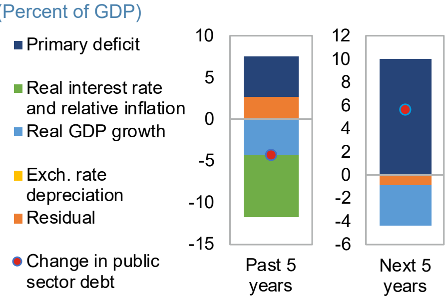
Commentary: Public debt is relatively low and supported by the robust recovery, while the effective interest rate remains low given the favorable debt structure. However, debt will start to increase again over the medium and long term, reflecting fiscal pressures from challenges such as healthcare, ageing, defense, and climate change.

Figure 5. The Netherlands: Realism of Baseline Assumptions

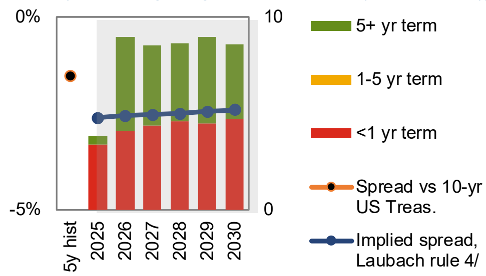


Public Debt Creating Flows

(Percent of GDP)

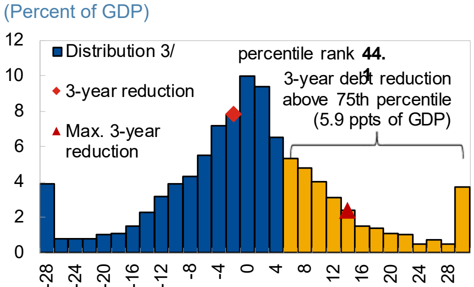


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

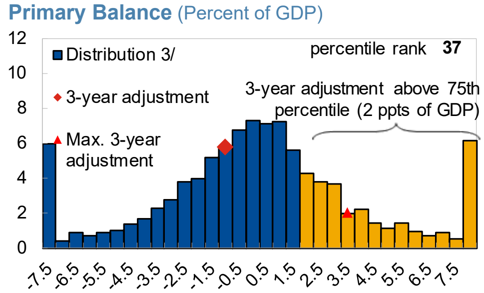


3-Year Debt Reduction

(Percent of GDP)

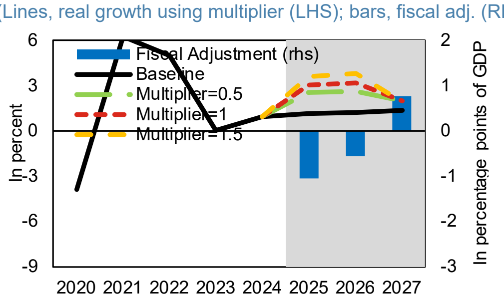


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



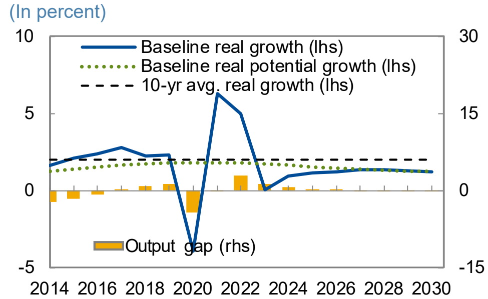
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Commentary: Past forecast errors do not reveal any systematic biases and the projected fiscal adjustment and debt reduction are well within norms.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

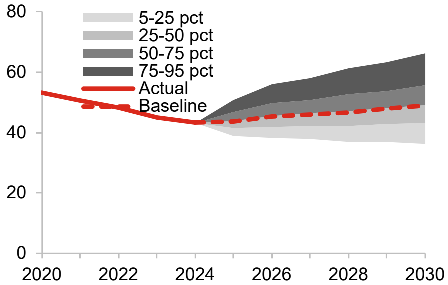
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. The Netherlands: Medium-Term Risk Assessment

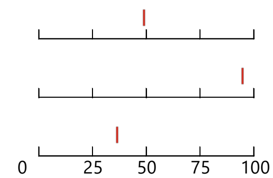
	Value	Contrib [1/]	Percentile in peer group [2/]

Final Fanchart (Percent of GDP)

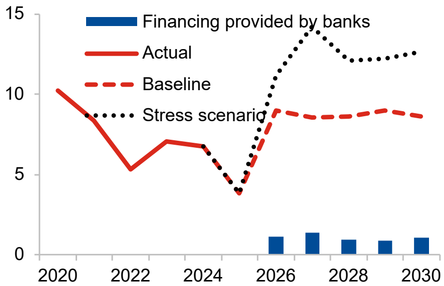


Debt fanchart module

	Value	Contrib
Fanchart width *(percent of GDP)*	29.8	0.4
Probability of debt non-stabilizaiton *(percent)*	95.3	0.8
Terminal debt-to-GDP x institutions index	7.8	0.2
Debt fanchart index (DFI)		1.4
Risk signal: [3/]		Moderate

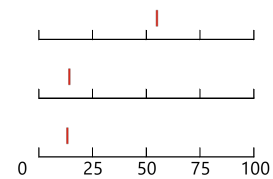


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

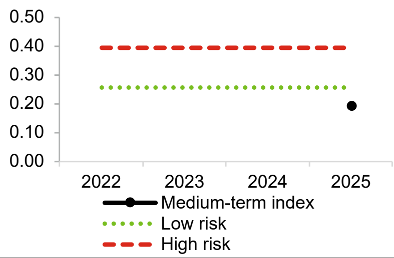
	Value	Contrib
Average baseline GFN *(percent of GDP)*	7.9	2.7
Initial Banks' claims on the gen. govt *(pct bank assets)*	2.1	0.7
Chg. In banks' claims in stress *(pct banks' assets)*	0.7	0.2
GFN financeability index (GFI)		3.6
Risk signal: [4/]		Low



Triggered stress tests (stress tests not activated in gray)

Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-term Index (Index number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.4	0.3	0.5	0.2
GFN finaceability index	3.6	0.1	0.5	0.0
Medium-term index		0.2		
Risk signal: 5/		Low		
Final assessment:		Low		

Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 58.0 pct.

Commentary: Medium-term tools point to low level of risks, even though the debt fan fanchart index shows that under current policies, there is a risk that public debt would not stabilize over the medium term. However, the GFN financeability index is low, given the low level of the public debt/GDP ratio, and its favorable debt structure.

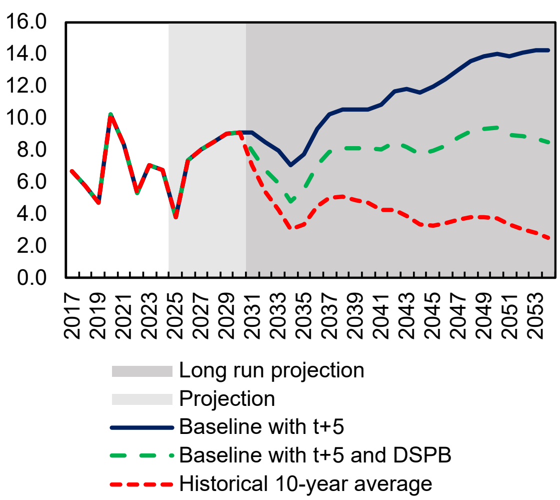
Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

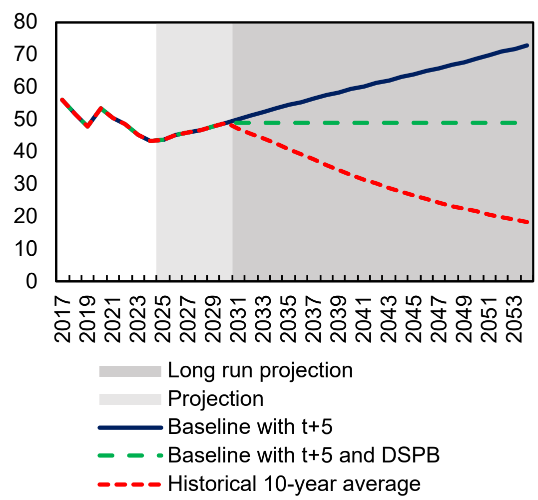
Figure 7. The Netherlands: Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Overall risk from large amortization remains low. Under the baseline,the risks are related to the fact that without additional policies, debt will be increasing over the long term, reflecting fiscal pressures from challenges such as healthcare, ageing, defense and climate change, though the overall index is low given the low initial debt level and good historical track record, as well as favorable debt strature.

Annex IV. Implementation of Key 2024 FSAP Recommendations[1]

	Recommendation	Addressee	Timing*	Priority**	Status
			Cross-Cutting		
1	Establish an interagency body—or facilitate this in an existing platform —to regularly discuss policy implications of climate-related issues, broaden cooperation including data sharing, and coordinate policy actions with implications for financial stability.	MoF, AFM and other relevant ministries	ST	H	DNB, the MoF and other relevant ministries and agencies are leveraging the Sustainable Finance Platform created by DNB in 2016 and its broad membership—MoF; DNB; AFM; the Dutch banking, insurers, investment fund and asset management associations; the Pension Funds Federation; Invest-Netherlands; and relevant ministries—to have more focused and frequent engagement on cooperation and policy coordination meetings on climate issues and climate risks to financial stability.
2	Adapt supervisory approaches to a rapidly changing market environment and strive for consistent supervisory outcomes across sectors through timely deployment of technologies and analytical tools.	DNB, AFM	ST/MT	H	DNB's Supervisory Strategy 2025─28 sets priorities for risk-based supervision and processes to ensure pro-active and adaptive goals and measures that leverage digitalization and AI and are fit to address emerging cross-sectoral risks (e.g., geopolitical and cyber risks). AFM's Agenda 2025 and Strategy 2023─26 also detail efforts to ensure risk-based, data-driven and result-oriented supervision, including planned changes in AFM's organizational structure to facilitate multi-disciplinary collaboration, training, and investment in new IT infrastructure.
3	Review legislative framework to ensure the supervisory authorities have sufficient budgetary autonomy, delegated powers, and intervention tools to address risks promptly and efficiently.	MoF, AFM, DNB	ST	H	No action taken following the MoF's review of DNB/AFM Vision on Supervision. A review of the two supervisory agencies' financing is ongoing and expected to be completed by end-Q2 2025.
4	Ensure that authorities have a clear legal basis to access granular transaction/loan-level data on a regular basis for risk monitoring and analysis, including residential and commercial real estate loans.	MoF, DNB, AFM	I	H	The MoF updated the draft proposal amending DNB's Bank Act that it published in May 2024 for public consultation. The new version addresses the comments received, including from the Data Protection Authority, and was sent to the State Council for advice in April 2025. The finalized draft is expected to be sent to Parliament later in the year. Another draft legislative proposal to ensure legal, regular AFM access to granular data also underwent public consultation in 2024. Feedback is being incorporated by the MoF. A revised proposal will be submitted to the Council of State for advice by end-2025.
5	Further clarify the requirement of independent supervisory board members in law.	MoF, MoSA	MT	H	No action taken.

	Recommendation	Addressee	Timing*	Priority**	Status
			Systemic Risk Analysis		
6	Tap alternative datasets to complete the ongoing efforts to develop market risk analysis.	DNB	ST	M	Efforts to tap alternative datasets for market risk analysis for banks were abandoned as DNB assessed market risk for Dutch banks as non-material. Alternative datasets (e.g., submission to, the ESCB's euro area bank loans' database, AnaCredit; and Securities Financing Transactions Regulation (SFTR) data are used to prioritize analyses for risks (credit risk) and entities (NBFIs) deemed more material.
7	Develop system-wide stress testing methodologies to assess the contagion effects across banks and NBFIs.	DNB	MT	M	Work—including scenario definition, identification of transmission channels, and model calibration—ongoing, with a first version to be completed by early 2026.
8	Closely monitor pension funds' repo transactions, amend supervisory reporting where necessary, and perform liquidity stress tests which incorporate a drying-up of repo markets.	DNB	I	M	DNB developed a dedicated dashboard and stress tests based on SFTR data. This, together with current supervisory data, is deemed sufficient by DNB.
			Climate Risk Oversight and Analysis		
9	Establish a medium-term plan to develop LSI/insurance climate risk supervision to incorporate climate-related risk perspective across activities of the supervisory process, including bridging data gaps.	DNB	ST	H	DNB senior management approved a multi-year plan for the integration of environmental, social, and governance risks in the supervision of medium-sized and small banks in July 2024. Implementation of the plan is ongoing.
10	Conduct physical risk analysis using forward-looking medium and long-term flood scenarios accounting for the impact of climate change (e.g., those aligned with the Intergovernmental Panel on Climate Change's Sixth Assessment Report).	DNB, MoIWM	ST	M	DNB analyzed flood scenarios mapping future sea level rise into credit risk in 2024 and 2025. The findings are expected to be published in 2025.
11	Develop an approach to assess the impact of policies to reduce nitrogen depositions on the financial sector once the transition path and its implications on the economy become clearer.	DNB	ST	H	No action taken. Action pending more clarity on policies to reduce nitrogen emissions and the associated implementation milestones.
12	Deepen collaboration among DNB supervisors and DNB stress testers to inform supervisors of climate stress testing insights and vice versa.	DNB	ST	H	A stress test tool for insurers was developed by hybrid teams of DNB supervisors and stress testers and used to validate the submissions for the EIOPA stress test, and for some preliminary assessments of the impact of assets shocks following geopolitical events. DNB actively participated in the climate stress-testing for the EU financial system (Fit-for-55). Climate stress-testing knowledge meetings between banking supervisors and stress testers were first held in 2024 and continue in 2025.
			Macroprudential Framework and Policies		
13	Elevate the Financial Stability Committee (FSC) to a permanent advisory body and vest it with semi-hard powers, or vest DNB with hard powers over the calibration of the borrower-based tools.	MoF, DNB	ST	H	No action taken. A State Council review reaffirmed that accountability for borrower-based tools is to Parliament and lies with the MoF, thus does not allow for vesting the FSC with semi-hard powers. An external review of Dutch borrower-based measures commissioned by the MoF and completed

Recommendation		Addressee	Timing*	Priority**	Status
					in mid-2025 did not recommend a transfer of powers to DNB.
14	Gradually reduce the maximum limit of the LTV ratio to 90 percent by one percentage point per year.	MoF, DNB, FSC	ST	H	No action taken following the external review of Dutch borrower-based measures.
15	Keep monitoring and addressing fragilities from IO mortgages, including by increasing incentives for borrowers to lower their exposure to these mortgages.	AFM, DNB, NIBUD, MoF	I	M	All mortgage providers are required by AFM to periodically assess the affordability of IO mortgages and offer clients alternatives. DNB resumption of monitoring of financial stability risks from IO mortgages is expected in 2025, once allowed by the Data Protection Authority. DNB monitoring of prudential risks continues, and prudential expectations were set for eight LSI banks.
16	Gradually remove the mortgage interest deductibility.	MoF	ST	H	No action taken. The government coalition agreement commits to maintaining mortgage interest deductibility.
Regulation and Supervision of Banks, Insurers, and Pension Funds					
17	Introduce a requirement for all mortgage credit providers and their mortgage clients to periodically update information on the clients' financial situation.	DNB, AFM, MoF	MT	H	The MoF is preparing draft legislation for consultation to introduce a requirement for mortgage providers to periodically request relevant information on the clients' financial situation for mortgages with an interest-only component, but not all mortgages.
18	Expand the number of on-site inspections for insurers in the lowest impact class, as a backstop to the risk-based approach.	DNB	ST	H	DNB put more focus for on-site insurer inspections in 2025 on lower impact classes (i2 and i1) instead of the highest impact class (i3): 2 out of 11 inspections will be at impact class i2. Deep dive investigations of two insurers in class i1 are also planned in 2025.
19	Closely monitor and proactively manage potential risks of the pension system transition for the authorities related to resources and legal risks.	MoSA, DNB, AFM	C	H	DNB's Pension Supervision Division team resources were increased by 20 FTEs in August 2024, until end-2026Q1, as recommended by MoSA, based on the number of pension funds expected to transition in 2025 and 2026, the expected quality of pension funds' input, and the projected needs for guidance and early and focused feedback to pension funds. DNB legal risks are mitigated by ensuring that critical decisions or actions require approval or review by at least two staff members. External communication—including guidance and feedback to pension funds—is vetted by a "quality team", legal experts, and a dedicated internal body that makes recommendations on (legally) complicated issues. Experts on supervisory interventions from the legal department can be involved for challenging transition cases. AFM's communication to pension funds follows similar principles and is aided by Pensions Department staff with legal background with support from its legal and communications departments.

	Recommendation	Addressee	Timing*	Priority**	Status
	Securities Market Regulation and Supervision				
20	Continue risk-based use of thematic and firm-specific supervisory tools to ensure that key trading venues have robust arrangements in place to prevent and manage operational outages including where the market is unable to open or close.	AFM	I	H	Risk-based use of thematic and firm-specific supervisory tools to ensure key trading venues' robust prevention and management of operational outages is standard practice. AFM collaborates with other national authorities and is conducting a review of one of the leading trading venues' outage rules, procedures and processes that is expected to be completed by end-2025.
21	Continue to monitor liquidity mismatch in real estate and corporate bond funds, including risks arising from fund credit lines, and availability/use of appropriate liquidity management tools.	AFM, DNB	ST	M	Risks to real estate funds (REFs) are assessed in AFM's quarterly asset management sector updates. AFM works with IOSCO, ESRB and ESMA for improved liquidity management and valuation practices. DNB and AFM will support improved granularity of data on the use of credit lines as Alternative Investment Fund Managers Directive (AIFMD) data requirement are revised at EU level, following ESMA's review of AIFMD/UCITS reporting standards and templates. DNB monitors liquidity mismatch for REFs and corporate bond funds, except UCITS funds[2/], as part of its periodic monitoring of leverage-related risks as mandated by AIFMD Article 25. DNB is also exploring options to monitor risks from fund credit lines using AIFMD and AnaCredit data.
	Financial Integrity				
22	Produce a comprehensive risk assessment on the cross-border financial crime risks and misuse of legal vehicles, covering the risks stemming from conduit companies and foreign entities with complex legal structures and sufficient links to the Netherlands.	MoF, FIU, FEC	ST	H	A comprehensive risk assessment on the cross-border financial crime risks and misuse of legal vehicles is being conducted by the Financial Expertise Center. Completion is planned by end-2025.
23	Ensure completeness of the beneficial ownership registries, including resolving the legacy issues with pre-existing legal persons and liaising closely with the tax authorities concerning legal arrangements such as foreign trusts.	MoF, Chamber of Commerce	ST	M	The beneficial ownership register currently covers 85 percent of legal entities. Coverage rose until mid-2024 but has now levelled off. The Tax and Customs Administration's Economic Enforcement Office is working to improve compliance. It had levied 592 administrative fines for inadequate beneficial ownership registration against pre-existing legal entities as of December 2024. The Ministries of Finance and Justice have prepared legislation to limit access to the register that has been sent to Parliament, following the European Court of Justice's ruling that the register's public access is not required under the European Anti-Money Laundering Directive. These access limits would address privacy concerns and could improve registration compliance.

Recommendation		Addressee	Timing*	Priority**	Status
24	Ensure that the intensity, depth, and scope of the risk-based AML/CFT supervision is informed by the lessons learnt from the remediation cases of the three largest banks, and that the risk-based procedures are aligned with the main risks, including tax risks to financial integrity relevant primarily in the context of the large number of conduit structures, and continue taking action to tackle the issue of illegal trust offices and underground banking.	DNB	I	H	DNB has further strengthened its risk-based approach to AML/CFT supervision. Since early 2024, DNB's data-fed annual risk identification process has been enriched by top-down risk analysis that identifies and assesses the risk profiles of financial institutions and helps focus the supervision of risk cases on areas on particular concern such as cross-border flows and tax integrity. The staff resources of the DNB's Integrity Supervision Division team that focuses on countering illegal service provision were increased by 50 percent.
Financial Safety Nets and Crisis Management					
25	Operationalize the preferred and fallback resolution strategies for SIs and LSIs, by finalizing the authorities' relevant handbooks, sharing more non-confidential detail on DNB's resolution plans with LSIs and regularly testing DNB's resolution capabilities.	DNB, MoF, AFM, Deposit Guarantee Fund (DGF)	I	H	Operationalization of the preferred and variant strategies for SIs and LSIs is under way. Testing of DNB's resolution capabilities is ongoing. However, all details on DNB's resolution plans are confidential and cannot be disclosed. Summaries of plans are provided to LSIs as needed, in line with SRB guidance.
26	Identify and operationalize national sources for the provision of liquidity in resolution, such as by relying on the existing Emergency Liquidity Assistance (ELA) framework and setting up and testing cross-border cooperation arrangements (¶76).	DNB	I	H	A national solution for liquidity is being discussed internally at DNB. DNB also started technical discussions and cross-border adverse financial market event simulation exercises with other relevant national central banks, one of which was conducted in February 2025. The experience will help design future cooperation agreements for ELA involving a cross-border banking group.
27	Develop and regularly test a comprehensive financial crisis management plan that sets out authorities' roles and responsibilities and establishes an inter-authority decision-making body.	DNB, DGF	I	H	The financial crisis management handbook details the resolution plans, including the roles and responsibilities of all relevant stakeholders; it is updated multiple times a year, after each crisis event simulation exercise. DNB periodically discusses resolution with the MoF. However, the authorities oppose the creation of an inter-authority decision-making body for financial crisis management, as they believe it would compromise the DNB's Resolution Division's independence and role as the national resolution authority.

1/ Prepared by IMF staff based on input from the authorities.
2/ An Undertaking for Collective Investment in Transferable Securities (UCITS) funds are investment funds that invest in transferable securities and other liquid assets and can be distributed publicly to retail investors across the EU.

* Timing: C = Continuous; I = Immediate (within one year); ST = Short Term (within 1–3 years); MT = Medium Term (within 3–5 years).
** Priority: H = High; M = Medium; L = Low.

Annex V. Data Issues

Table 1. The Netherlands: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	A	A	A		
Granularity 3/	A		A	A	A		
			A		B		
Consistency			A	B		A	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is adequate for surveillance. The Netherlands' economic databases are generally comprehensive and high quality. The authorities regularly publish a full range of economic and financial data. The Netherlands is also subject to the statistical requirements of Eurostat and the European Central Bank, including the timeliness and reporting standards, and it has adopted the European System of Accounts 2010. However, balance of payments and IIP data are frequently subject to significant data revisions that complicate identifying underlying trends and assessing the external sector, primarily due to the volatility of primary income flows and the complexities of tracking cross-border holdings of assets and liabilities that reflect the country's status as a base for multinational corporations. Supervisory authorities' access to loan-level data is restricted by law, on privacy grounds, somewhat limiting their and, by extension, staff's monitoring of financial stability risks, including from interest-only mortgages.

Changes since the last Article IV consultation. The broad assessment of data adequacy is unchanged from the previous Article IV consulation. No new data weaknessses have been identified since the last Article IV consultation**.** Timeliness of national account and labor market data was improved; first estimates are now published 30 days instead of 45 days after the end of a quarter.

Corrective actions and capacity development priorities. The authorities are drafting legislation to ensure that they have a clear legal basis to access granular transaction/loan-level data regularly for financial soundness and systemic risk monitoring and analysis, including for residential and commercial real estate loans. The inclusion of new data sources, adjustments to the classification of Dutch subsidiaries of foreign companies, and efforts to ensure consistency with trade partner data, as part of Statistics Netherlands' 5-yearly benchmark revision, should help improve the quality of BOP and IIP data.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. No other macro-critical data gaps.

Table 2. The Netherlands: Data Standards Initiative

Netherlands adheres to the Special Data Dissemination Standard (SDDS) Plus since January 2015 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. The Netherlands: Table of Common Indicators Required for Surveillance

(As of May 28, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Netherlands[8]	Expected Timeliness[6,7]	Netherlands[8]
Exchange Rates	Current	Current	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr-25	May-25	M	M	M	M	1W	NLT 11D
Reserve/Base Money	Apr-25	May-25	M	M	M	M	2W	2W
Broad Money	Apr-25	May-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	Apr-25	May-25	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	2025Q1	May-25	Q	Q	M	M	1M	1M
Interest Rates[2]	Current	Current	D	D	D	...	...	...
Consumer Price Index	Apr-25	May-25	M	M	M	M	1M	2W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2024Q4	Mar-25	Q	Q	A/Q	Q	2Q/12M	1Q
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	2024Q4	Mar-25	Q	Q	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2024Q4	Mar-25	Q	Q	Q	Q	1Q	1Q
External Current Account Balance	2024Q4	Mar-25	Q	Q	Q	Q	1Q	80D
Exports and Imports of Goods and Services	2024Q4	Mar-25	Q	Q	M	M	8W	6-8W
GDP/GNP	2025Q1	Apr-25	Q	Q	Q	Q	1Q	6W
Gross External Debt	2024Q4	Mar-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	2024Q4	Mar-25	Q	Q	Q	Q	1Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex VI. Past IMF Policy Recommendations

IMF 2024 Article IV. Recommendations	Implementation
Fiscal Policy	
Adopt a non-expansionary stance given the high cost of underestimating inflation persistence and the tight labor market.	Partially implemented. The fiscal stance for 2024 was broadly neutral due to revenue overperformance and unintentional budget underspending.
Given rising pressures from medium-to-long term challenges, adjustment will be needed to stabilize debt through the projection period and retain strong buffers.	Partially implemented. A better than expected initial fiscal position along with efforts to keep deficits below 3 percent of GDP have lowered the required adjustment from 1.3 to below 1 percent of GDP.
Structural fiscal reforms are needed to support fiscal sustainability; (i) On pensions, linking the retirement age one-on-one to longer life expectancy is an important instrument; (ii) On healthcare, consideration should be given to a combinations of efficiency gains, adjustments of the basic policy package, and higher co-payments that could generate savings while mitigating risks and supporting solidarity; and (iii) On climate, tilting the balance away from fossil-fuel subsidies towards higher carbon pricing would help achieve climate goals efficiently while supporting solidarity and allowing for more targeted spending.	Partially implemented. Advice on pension and healthcare was not implemented and some of new measures like halving the health care deductible will worsen medium-term health spending pressures. On climate, recent progress with reducing implicit fossil fuel subsidies from 2.7 to 0.9 percent of GDP in 2024, thanks to the removal of temporary natural gas price controls is welcome, though further efforts are needed to offset their expected increase, in line with higher external costs resulting from future economic growth.
Streamlining tax expenditure would also help safeguard sustainability.	In progress. The authorities' Building Blocks Tax report recommended streamlining inefficient and ineffective tax expenditures, including abolishing reduced VAT rates. Efforts to streamline tax expenditure are ongoing.
Adopt flexible fiscal policy if risks materialize.	Implemented. The 2024 deficit was smaller also reflecting stronger economic growth and related revenue overperformance.
Structural Reforms	
Climate mitigation strategies need to tackle implicit fuel subsidies, striking the right balance among regulation, pricing/feebates, and subsidies, while addressing distributional concerns.	Partially implemented. Recent progress with reducing implicit fossil fuel subsidies from 2.7 to 0.9 percent of GDP in 2024, thanks to the removal of temporary natural gas price controls is welcome, though further efforts are needed to offset their expected increase, in line with higher external costs resulting from future economic growth. Advice on feebates has not been implemented.
Progress in tackling labor-market duality could increase resilience and improve social protection of the self-employed.	Partially implemented. Since January 2025, rules against false self-employment were implemented. However, measures to enhance social protection for the self-employed, such as mandatory disability insurance and strengthened pension arrangements, have yet to be implemented.
Addressing labor and skill shortages calls for incentivizing part-time workers to increase hours	In progress. Efforts to address labor market shortages are ongoing, though progress is limited in promoting

IMF 2024 Article IV. Recommendations	Implementation
worked, strengthening the framework for self-employed workers, promoting training and labor mobility towards priority sectors (green transition, digitalization, health), and measures to speed up adopting of new technology (including AI), while optimizing international labor, where needed.	training, new technology (digitalization), and optimizing international labor. New rules for distinguishing employees and the self-employed are expected over the next years.
Efforts to support research and development (R&D) and investment in education should continue to help revive business investment and enhance learning.	No progress. The authorities cut expenditure on education and R&D.
Financial Sector Policies	
Focus calibration of borrower-based measures on minimizing financial stability risks (which can enhance consumer protection), with access to homeownership objective addressed by other policies.	Not implemented. The calibration of these measures continues to reflect the authorities' three objectives (facilitating access to home ownership, consumer protection, and financial stability).
Further and more systematically integrate climate risks in supervision, within supervisory authorities' legal mandates and backed by stronger data, scenario analysis, and disclosure.	In progress. DNB approved a multi-year plan for the integration of environmental risks in the supervision of medium-sized and small banks in July 2024. DNB actively participated in the climate stress-testing for the EU financial system (Fit-for-55). Climate stress-testing knowledge meetings between banking supervisors and stress testers are now routinely held. DNB, the MoF and other relevant ministries and agencies have more focused and frequent engagement on cooperation and policy coordination meetings on climate issues and climate risks to financial stability.
Carry out a more comprehensive analysis of risks from the misuse of legal entities and conduit structures; further enhance the DNB's risk-based AML/CFT supervision of the banking and trust-office sectors; and improve the availability and accuracy of beneficial ownership information.	In progress. A comprehensive risk assessment on the cross-border financial crime risks and misuse of legal vehicles is being conducted and expected to be completed by end-2025. The staff resources of the DNB's Integrity Supervision Division team that focuses on countering illegal service provision were increased by 50 percent. Coverage of the beneficial ownership register rose to 85 percent mid-2024. 592 administrative fines for inadequate registration were levied against pre-existing legal entities as of December 2024.
In the area of Transnational Aspects of Corruption, continue mitigation efforts to combat foreign bribery (i.e., implementation of outstanding OECD recommendations) and laundering of foreign proceeds of corruption (i.e., accuracy of BO registries and level of sentencing for ML of foreign proceeds of corruption).	In progress. Coverage of the BO register rose to 85 percent of legal entities by mid-2024. 592 administrative fines for inadequate beneficial ownership registration were levied by tax authorities against pre-existing entities as of December 2024.

Annex VII. Budget Credibility

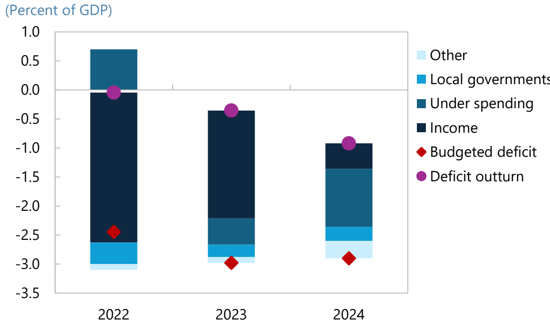
The fiscal balance has been consistently above budget projections, particularly since the pandemic, with sizeable revenue overperformance and underspending posing questions about budget credibility.

1. **Fiscal outturns averaged 0.7 percent of GDP above budgeted balances over the past 15 years, but differences have increased since the pandemic.** While, in general, deviations during 2021–2024 can be attributed in large part to a stronger-than-expected recovery, other contributing factors are also at play, including mid-year policy adjustments.

- In 2022, the fiscal outturn exceeded the budgeted deficit by 2.4 percent of GDP (0.0 vs -2.4 percent of GDP). Significantly higher-than-expected tax revenue (2.6 percent of GDP) reflected policy measures like the introduction of a temporary solidarity contribution for excess profits in the fossil energy sector (0.8 percent of GDP), higher revenue collections (e.g., VAT overperformance by 0.4 percent of GDP) due to higher inflation (10 percent actual versus 1.8 percent estimated in the 2022 budget), and higher profit tax collections (0.8 percent of GDP) reflecting stronger-than-expected profits. Underspending in the national budget (0.7 percent of GDP) was more than offset by Covid-19 measures and higher spending due to higher wages and prices (-1.4 percent of GDP). Local governments balances and other, including denominator effects, contributed 0.4 and 0.1 percent of GDP.

- In 2023, the fiscal outturn exceeded the budgeted deficit by 2.6 percent of GDP (-0.4 vs -3.0 percent of GDP). Significantly higher-than-expected tax revenue (1.9 percent of GDP) reflected the within-year reversal of the announced energy tax cut to fund the energy package (0.5 percent of GDP), stronger-than-expected anticipation effects from dividend tax changes ('Box 2', 0.5 percent of GDP), and higher corporate profits and contractual wage increases, among others. Underspending (0.5 percent of GDP), reflected lower spending including on investment and emergency/Covid-related support measures, partially offset by the cost of the energy price cap (part of the energy package), higher interest and asylum costs, reflecting. Local governments also added 0.2 percent of GDP.

Budgeted Balances vs. Outturns
(Percent of GDP)



Sources: Ministry of Finance, and CBS.
Note: Other includes denominator effect.

- In 2024, the fiscal outturn exceeded the budgeted deficit by 2.0 percent of GDP (-0.9 vs -2.9 percent of GDP). Underspending due to delayed expenditure at federal (1.0 percent of GDP) and local (0.2 percent of GDP) were the main drivers of overperformance. Higher-than-expected tax revenue contributed far less than the previous year (0.4 percent of GDP), reflecting slightly higher individual income from substantial ownership in companies, such as dividends and capital gains ('Box 2', 0.6 percent of GDP), partially offset by one-off Box 3 compensation

(0.4 percent of GDP) and technical corrections to the EMU definition of social premiums (0.3 percent of GDP). (Table 1.2.1.1, 2024 Financial Annual Report).

2. Improving estimate accuracy and addressing structural underspending would provide the bases for better fiscal planning, limit sizable deviations from plans, and enhance budget credibility. According to a recent letter from the Ministry of Finance to Parliament, better-than-expected corporate profit tax collections may be temporary, driven by an anticipatory effect related to a planned tax increase ('Box 2'). A recent expert group report found that income estimates deviated considerably due to exceptional economic shocks and made recommendations to improve the estimates, particularly regarding the CIT tax estimate, the adjustment to the estimates based on expert judgement, and periodic recalibration of the tax model. The group also called for more realistic budgets, as many planned expenditures were not executed. Relatedly, the Court of Audit's May 2025 Accountability Report found that a lack of coordinated governmental views has contributed to unrealistic budgets and underspending. The report highlighted room for better integration of policy evaluations in the budget process.

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Annex VIII. Tackling Nitrogen Emissions[1]

Lack of a strategy to reduce nitrogen depositions in protected areas is a macro-critical growth bottleneck. This annex outlines reform options building on other countries' experience.

Background

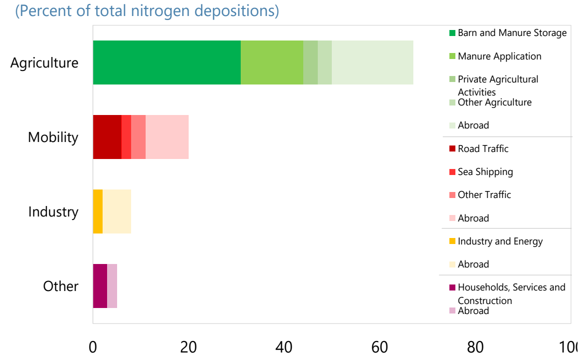
1. **To comply with the EU Birds and Habitats Directive, the Netherlands will need to substantially reduce nitrate pollution in over 100 designated areas.** This directive urges member states to designate a network of protected areas known as Natura 2000 areas to avoid deterioration and improve the conservation status. In the Netherlands, out of the 161 designated Natura 2000 areas, nitrogen pollution exceeds acceptable levels in 118 of them (2024 Article IV, Annex VI).

2. **The Netherlands must cut nitrogen pollution to meet EU and National Nitrogen Reduction and Nature Improvement Act limits on nitrate concentrations in water bodies.** Nitrate pollution comes from nitrogen oxides (NO_X) and ammonia (NH_3). NO_X sources include engines (cars, trucks, construction equipment), fertilizers, and industrial/power plants. NH_3 mainly comes from animal manure and fertilizers. These pollutants harm aquatic life through eutrophication (the stimulating of algae growth and depletion of dissolved oxygen levels), degrade soils, cause acid rain, and contaminate groundwater. The main source of nitrogen deposition in the Netherlands is agriculture (Figure 1, left chart), followed by transportation, industry, and construction.

Figure 1. The Netherlands: Current and Expected Nitrogen Depositions

Agriculture is the main source of nitrogen deposition, followed by mobility, industry and construction.

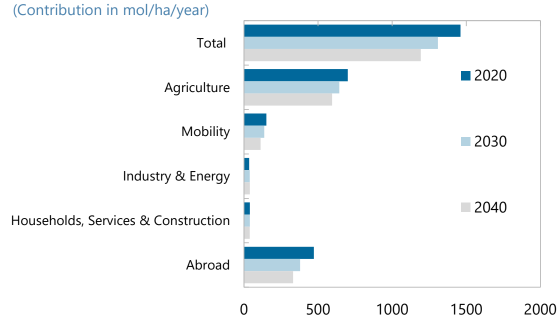
Nitrogen Deposition in Sensitive Areas by Origin, 2022
(Percent of total nitrogen depositions)



Source: 2024 Nitrogen Deposition Monitor, Dutch Institute for Public Health and the Environment.

Expected trends suggest that meeting the goals are out of reach without additional policies

Expected Trend in Nitrogen Deposition by Sector in Sensitive Areas
(Contribution in mol/ha/year)



Source: 2024 Nitrogen Deposition Monitor, Dutch Institute for Public Health and the Environment.

3. **Lack of a strategy to reduce nitrogen depositions in protected areas is a macro-critical growth bottleneck**. In January, the Dutch Supreme Court ordered the government to start reducing nitrogen depositions in protected areas. Buyouts of large livestock farmers, an effective but

[1] Prepared by Ian Parry (FAD) and Nina Budina (EUR).

expensive and unpopular strategy, were scrapped in 2024. The Court previously invalidated nitrogen permitting simplifications, which has led to a widespread suspension of permit approvals, creating additional uncertainty for construction projects, including housing.

4. Recognizing the urgency of the situation, the government is developing a strategy to break the nitrogen deadlock. The strategy aims to shift from deposition to direct emission measurement, extend the timeline to halve emissions by 5 years to 2035, set sectoral goals—50 percent cut for industry, mobility and construction, 42–46 percent for agriculture—and aims to restart permitting with a new system. For agriculture, an initial package of proposed measures includes an extensification scheme for dairy farming, voluntary livestock buyouts, goal-based management, and 250-meter buffer zones in particularly high-need areas. For mobility and construction, efforts will focus on making road, inland shipping, and rail freight transport in Rotterdam port more sustainable, supported by area specific speed controls.

Options for Policy Reform

5. In agriculture, fees on NO_X and NH_3 emissions would cost-effectively promote all farm-level mitigation responses. Responses to such fees might include:

- *In the livestock sector*: (i) reducing livestock per hectare, (ii) using less nitrate-intensive feed, (iii) covering or treating manure, (iv) establishing buffer strips along waterways (where vegetation can filter nitrogen before it reaches water bodies),[2] (v) utilizing cover crops to capture excess nitrogen/limit soil erosion, and (vi) shifting farmland to forests and wetlands.
- *In the crop sector*: (i) less nitrate intensive fertilizers and (ii) precision farming to optimize fertilizer use.

Fees could be levied based on self-reported NO_X and NH_3 emissions, accounting for farm level characteristics like herd size, feed/fertilizer type, land area, buffer zones, and emissions factors, subject to third-party verification. Fees could be higher in areas with the largest compliance gaps. While revenues could be used in the farm sector to compensate for mitigation efforts, this would increase complexity and create uncertainty about which farmers will receive payments.

6. Feebates on farmers are a cost-effective alternative to a pure emissions tax and may be more acceptable, but they do not directly promote land-use conversions. Feebates apply a sliding scale of fees/rebates to farmers with emission rates above/below a pivot point. The pivot point is based on sectoral average emission rates (with separate standards for livestock and crop farming) and can be updated over time. Feebates may be more acceptable than pure emissions tax, as some farmers benefit while all others pay smaller fees. However, additional incentives are needed to encourage shifting farmland to forestry/wetlands. Regulations on emissions intensity lack cost-effectiveness and unlike feebates, do not incentivize emissions reductions beyond the standard.

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[2] Buffer strips are barriers between farmland and waterways planted with nitrogen absorbing plants to limit farm run off of nitrogen into water bodies.

Subsidies for reducing emissions or specific measures (like buffer strips) are fiscally costly and could be tricky to phase out without undermining mitigation incentives.

7. For the construction sector, fees on self-reported emissions or stricter standards for construction equipment could help reduce emissions. Most emissions come from diesel fuel in heavy equipment like excavators, loaders, trucks, and generators. An emissions tax would incentivize switching to low-emission diesel, more efficient or electric vehicles, and dust suppression. The tax could be based on self-reported emissions verified by third parties. Emission rate standards for equipment are simpler but do not promote dust suppression.

8. There is also some scope for scaling back transportation emissions. NO_X emissions are primarily from diesel combustion in trucks. A tax could be imposed on truck distance driven (as, e.g., in Austria, Belgium, Czech Republic, Germany, Hungary, Poland, Slovakia, Switzerland), scaled by the vehicle' NO_X emission rate to incentivize reducing vehicle emissions. Another possibility is to levy annual circulation taxes on trucks linked to both their NO_X emission rate and vehicle distance driven.

9. In the agriculture sector, Denmark is an example of a country that has aimed to significantly reduce nitrogen and other emissions through a package of measures. The Danish package includes taxes, regulations, subsidies, and science-based guidance for farmers, while ensuring social acceptability:

- **Taxes.** Fees on GHG emissions (methane and nitrous oxide) from livestock and crop farming, with revenues recycled into sector mitigation initiatives.[3]
- **Regulations.** Limits on animal density, manure storage and application (to minimize nitrogen loss), and nitrogen farmers can apply based on soil conditions and crop needs.
- **Subsidies (national).** For agricultural land conversion, including high-nitrogen parcels, to restore 140,000 hectares of wetlands and establish 250,000 hectares of new forest by 2045.
- **Subsidies (EU).** For farmers adopting mitigation measures like planting cover crops, buffer strips, and reducing fertilizer use, funded from the EU's Common Agricultural Policy.
- **Science-based guidance for farmers.** A system of science-based advice provides guidance to farmers adopting environmentally friendly practices.[4]

[3] Methane (CH_4) is the most important GHG from livestock.

[4] This type of guidance is common in US, EU for governments to provide advice to farmers on how to modify their operations to reduce emissions.

INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—THE NETHERLANDS

July 1, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By: European Department

CONTENTS

FUND RELATIONS

(As of April 30, 2025, unless specified otherwise)

Membership Status: Joined December 27, 1945; Article VIII.

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	8,736.50	100.00
Fund holdings of currency	6,349.76	72.68
Reserve Tranche Position	2,388.27	27.34
Lending to the Fund		

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	13,210.17	100.00
Holdings	13,499.42	102.19

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million
Stand-By	Sep 12, 1957	Mar 12, 1958	68.75	0.00

Projected Obligations to Fund[1] (SDR million; based on existing use of resources and present holdings of SDRs):

	2025	**2026**	**2027**	**2028**	**2029**
Principal					
Charges/Interest		0.06	0.06	0.06	0.06
Total		0.06	0.06	0.06	0.06

Implementation of HIPC Initiative
Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI)
Not Applicable

Implementation of Catastrophe Containment and Relief (CCR)
Not Applicable

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of arrears will be shown in this section.

Exchange Rate Arrangements

The currency of the Netherlands is the euro. The exchange rate arrangement of the euro area is free floating. The Netherlands participates in a currency union (EMU) with 19 other members of the EU and has no separate legal tender. The euro, the common currency, floats freely and independently against other currencies.

The Netherlands has accepted the obligations under Article VIII, Section 2, 3, and 4 of the IMF's Articles of Agreements, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, with the exception of restrictions imposed solely for the preservation of national or international security, which have been notified to the Executive Board in accordance with Decision No. 144-(52/51).

Last Article IV Consultation:

The last Article IV consultation was concluded on April 5, 2024. The Executive Board assessment and the staff report has been published (IMF Country Report No. 24/85).

Financial Sector Assessment Program (FSAP) Participation:

The 2024 FSAP was considered by the Executive Board on April 5, 2024. The Financial System Stability Assessment report has been published (IMF Country Report No. 24/87).

INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—THE NETHERLANDS

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

July 11, 2025

This supplement provides information that has become available since the staff report was issued to the Executive Board on July 1, 2025. The thrust of the staff appraisal remains unchanged.

1. **Revisions to national accounts data indicate stronger growth in 2025Q1 than suggested by the first estimate.** Historic revisions lead to growth revisions from 0.1 to -0.6 percent in 2023 and from 1.0 to 1.1 percent in 2024. Growth in 2025Q1 was revised up from 0.1 to 0.4 percent (q/q). A higher positive contribution from private consumption in the revised Q1 data is consistent with staff's assessment of strong underlying fundamentals. Net exports also contributed positively to the Q1 revision.

2. **Revised external accounts data point to a slightly smaller current account surplus in 2024.** The current account is now estimated at 9.1 percent of GDP in 2024, down from 9.9 percent in the staff report, mainly on account of stronger import growth. The revision took place after the cutoff date for the 2025 External Sector Report and therefore will not be reflected in the ESR or in staff's assessment of the external position for 2024 in the staff report, both of which remain final. The slightly lower figure does not change staff's recommendations to close the large current account gap.

3. **Inflation continues to ease gradually.** Headline inflation declined to 2.8 percent in June from 2.9 percent in May. Core inflation also fell, to 2.9 percent from 3.2 percent; 3m/3m core inflation momentum stood at around 0 percent in June. This gradual reduction of inflation is broadly in line with the staff's baseline projections.

4. **The outlook remains in line with projections in the staff report.** Factoring in data revisions and assumptions for the July WEO Update, real GDP growth is projected at 1.2 percent in 2025, compared to 1.1 percent in the staff report. This growth revision includes lower direct effects from U.S. trade tariffs, reflecting the revised assumptions for the July WEO Update, compared to the assumptions underpinning the baseline scenario in the staff report. However, uncertainty over trade policies, geoeconomic fragmentation, and domestic policies remain elevated, as in the staff report, holding back private investment and weakening consumer confidence.

Statement by Mr. van Rij, Executive Director for the Kingdom of the Netherlands—The Netherlands, and Mr. van Arnhem, Advisor to the Executive Director
July 16, 2025

On behalf of the Dutch authorities, we would like to thank staff for the constructive policy dialogue during the Article IV mission and the excellent set of papers produced, including the high-quality Selected Issues Paper on: (i) labor productivity, and (ii) climate and energy transition issues.

The Dutch authorities agree with the thrust of the staff appraisal and consent to the publication of the report and Selected Issues Paper.

<u>Recent Economic Developments and Outlook</u>

The Dutch economy has shown resilience amid recent shocks, though growth has cooled. Recent figures published by the statistics bureau show GDP growth of 1,1 percent in 2024. In the first quarter of 2025, GDP expanded by 0.4 percent q-on-q, mainly driven by private consumption. Unemployment remains low, among the lowest in the euro area (EA), with tightness in the labor market starting to ease. Wage growth has accelerated, boosting real incomes and consumption. At the same time, inflation has eased significantly to around 3 percent by mid-2025 but remains elevated. Core price pressures persist (services inflation remains elevated), and the Dutch Central Bank projects HICP inflation to remain elevated at 2.6 percent in 2027.

Downside risks to the outlook predominate. Trade tensions and geo-economic fragmentation could weigh on the Netherlands' open economy, as evident in the impact of recent U.S. tariff measures on Dutch exports. A sharper slowdown in key trading partners or renewed energy price shocks would also dampen growth but poses some upward risk to the disinflation path as projected. Domestically, increasingly binding supply constraints – notably in the labor market, housing, nitrogen emissions, and electricity grid – could weigh on the economy's ability to expand. Political developments have added uncertainty: the ruling coalition collapsed in June 2025, and the Netherlands is currently led by a caretaker cabinet pending new elections later this year. This situation may delay certain policy decisions, as major initiatives could be postponed until a new government is formed.

<u>Fiscal Policy</u>

As inflation remains above target and the economy is operating near full capacity, the authorities concur with staff that adopting a non-expansionary fiscal stance is warranted. This should help contain inflation, while allowing automatic stabilizers to operate given the uncertain outlook. Importantly, the caretaker government will prepare a 2026 budget that adheres to the trend-based fiscal framework, with strict multi-year expenditure ceilings. The framework has underpinned prudent budgeting, contributing to one of the lowest public debt levels in the EA. Looking ahead, the authorities are mindful of rising medium-term spending pressures. Ageing, climate transition, and health and long-term care are estimated to push up public expenditure by roughly 4 percent of GDP by 2050 under current policies. In addition, the Netherlands is committed to increasing defense spending to 5 percent of GDP in line with recent NATO agreements, which will add to fiscal outlays.

The authorities fully support staff's view regarding supply-enhancing fiscal measures. With household real incomes catching up to pre-pandemic levels and private demand recovering, the focus shifts toward boosting the economy's supply capacity. Significant public investments are planned to address infrastructure bottlenecks, accelerate housing construction, upgrade the electricity grid, increase defense spending, and meet climate goals. In addition, education and innovation have to be prioritized, reversing previous underinvestment in human capital. Many of these investments are underway or in the pipeline, including under the National Growth Fund and the EU Recovery and Resilience Facility.

On the revenue side, the authorities are investigating tax reforms to improve efficiency and fairness. A major reform of the capital income taxation (the so-called "Box 3" tax on savings and investments) is in progress. The authorities welcome staff's recognition of this reform and share the view that speedy implementation will align investment incentives and promote better resource allocation. In addition, the authorities recognize staff's arguments to reduce inefficient tax expenditures to preserve strong public finances and a sustainable budget. Streamlining or abolishing certain tax exemptions and deductions would broaden the tax base and lower compliance costs.

Financial Sector Policies

The Dutch financial sector is healthy, well-capitalized, and effectively supervised. Banking sector indicators are robust: capital adequacy ratios comfortably exceed requirements, liquidity buffers are ample, and asset quality is high. Dutch banks have remained profitable, and non-performing loans are very low by international standards. Loan delinquencies have increased only marginally, coinciding with a post-pandemic normalization in bankruptcies. Likewise, the insurance sector is well-capitalized and solvent, with solid profitability. Pension funds saw their average coverage ratio rebound in Q1 2025 after high market volatility. The authorities note that recent stress tests (by the Dutch Central Bank) confirm that Dutch financial institutions can withstand severe shocks, thanks to substantial buffers.

The authorities acknowledge that household debt is high. This reflects a history of generous mortgage interest deductibility and elevated house prices, but systemic risks are mitigated by structural factors. Most importantly, Dutch mortgages are predominantly long fixed-rate loans. Moreover, borrowing-based measures taken in recent years have strengthened mortgage underwriting: the maximum loan-to-value (LTV) ratio has been lowered, and income-based lending standards are strict. Household debt-to-income ratio has gradually declined in recent years. House prices have resumed their upward trend, and while IMF staff sees *'renewed signs of overheating,'* the authorities attribute the recent price increases as partly driven by fundamentals - notably, improved buyer confidence, rising incomes, and housing supply shortages. They do not perceive an increased risk of a sharp housing downturn at this juncture. Nonetheless, the authorities acknowledge the systemic nature of the housing market and agree that housing affordability is a concern and assert that increasing supply is the durable solution. The authorities are committed to meet ambitious homebuilding targets and to facilitate construction. The recently announced freeze on social housing rents, which would undermine building targets, has been reversed.

A landmark development in the financial sector is the pension system reform to a new defined-contribution (DC) system. The authorities believe this reform will significantly enhance the long-run sustainability and intergenerational fairness of the pension system and appreciate the IMF's positive assessment. With over €1.8 trillion in assets, Dutch pension funds are a cornerstone of both domestic saving and global investment. The move to DC is expected to make these funds more resilient to ageing pressures and market shocks, ensuring they remain able to meet future obligations without placing undue burdens on the public finances.

Structural Policies

The authorities underscore their commitment to tackling structural bottlenecks to growth head-on. A top priority is resolving the nitrogen emissions issue, which in recent years has severely constrained housing development and infrastructure projects. Steps are being taken to formulate a science-based, legally sound plan to reduce nitrogen emissions in a pragmatic way. The authorities agree with staff that economic instruments will be part of the solution alongside a mix of targeted farm buyouts, new technologies, and cooperative agreements with the agricultural sector. The political situation has inevitably slowed decision-making on this front; however, there is broad consensus that resolving the nitrogen impasse is essential for the economy and environment. The incoming government will be expected to push forward with bold measures.

Another critical bottleneck is the electricity grid capacity. The rapid growth of renewable energy projects, electrification of transport and heating, and new data centers has led to grid congestion in parts of the country, causing delays to businesses and housing developments. The national grid operator is investing heavily in new transmission lines and substations. To facilitate this, the government has pledged to help mobilize capital for faster expansion. Additionally, permitting procedures for critical energy infrastructure are being streamlined to shorten lead times. Furthermore, the authorities are also pursuing demand-side solutions to manage the strain, including storage and improved energy efficiency programs. The authorities welcome the IMF's attention to this matter and agree that ensuring a reliable, adequate grid is fundamental for the green transition as well as general economic development.

Productivity and labor market reforms are underway. As a highly developed economy with the highest labor participation rate in the EU, the authorities recognize that future growth must come primarily from productivity gains. The authorities agree with staff on the need to boost productivity through structural reforms. Key areas of action include digitalization, competition, and human capital. On the labor side, the authorities have introduced reforms to reduce labor market duality – aiming to give more security to those in flexible jobs – and to incentivize greater labor participation in hours. Recent collective agreements in sectors like healthcare and education include measures to increase full-time work.

Climate Action

The Netherlands remains firmly committed to the ambitious climate goals set at the European level. The authorities reaffirm their dedication to achieving a 55 percent reduction in greenhouse gas emissions by 2030 (relative to 1990) and climate neutrality by 2050. A broad suite of climate policies has been implemented, including subsidies for renewable energy (the SDE++ program), phasing out coal-fired power, and promoting electric vehicles and home insulation. Additional measures will likely be needed to fully close the gap to the 2030 objectives, especially in sectors like agriculture (linked to the nitrogen issue) and industry. Policy choices in this area will be determined by the new government, reflecting the political consensus emerging from the next elections. Momentum continues to build through preparatory efforts, such as expanding offshore wind capacity and hydrogen infrastructure.

External Sector

The authorities note staff's assessment that the Netherlands' external position is substantially stronger than implied by medium-term fundamentals. We welcome the significant downward revisions of the CA surplus based on new data, as provided in the supplement to the staff paper. This surplus has multifaceted origins. A key contributor is the Netherlands' status as global business hub – the concentration of multinational corporations (MNCs) and financing entities tends to inflate the measured surplus. For instance, MNCs frequently book profits at their Dutch headquarters and reinvest substantial amounts abroad, appearing as high corporate savings in Dutch national accounts. Another structural driver is the mandatory private pension system, through which Dutch households save extensively via pension funds (the second-pillar schemes). These pension funds — among the largest globally — generate significant investment income, sustaining a structurally high national saving rate. Together, these structural features help underpin the sizable external surplus.

The authorities emphasize that the surplus is not due to protectionist policies, but reflects structural saving-investment patterns in the private sector. Many of the policies discussed above would reduce the external imbalance over time and move the CA closer to its norm: including increasing public investment in infrastructure, housing, climate, and defense - will help absorb excess savings and rebalance growth toward domestic demand. To ensure that the necessary investments can be implemented, the authorities agree with staff on the importance of strengthening the supply side. Over the medium-term, demographic trends will also naturally contribute: an ageing population implies that the peak saving period of the baby-boom generation will pass, leading to increased dissaving among retirees. The authorities expect the external surplus to gradually moderate in the coming years, converging toward a level more consistent with underlying economic fundamentals.