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**Statement by Mr. Tanaka, Ms. Kashima, and Ms. Fukuda on Kingdom of the  
Netherlands - the Netherlands  
(Preliminary)  
Executive Board Meeting  
November 10, 2021**

We thank staff for the insightful report and Mr. Hilbers and Ms. Eijking for the useful Buff statement. The pandemic has impacted the Dutch economy less severely compared to peer countries thanks to advanced digitalization of businesses. Although the economy contracted by -3.8 percent in 2020, the authorities' strong and decisive measures have effectively cushioned the recession. We welcome that the Netherlands are now experiencing a rebound recording 3.8 percent growth in 2021:2Q with the relaxation of social restrictions. We take positive note that fiscal space is substantial even after the large support package, and no major scarring is expected. We also note that inflation is expected to rise gradually to 2 percent. Still, the authorities should remain vigilant towards the development of the pandemic and implement necessary measures to ensure solid mid-term growth. As we broadly concur with the gist of the staff's appraisal, we will limit our comments to the following points:

**First, the authorities should continue to stand ready to reactivate supportive policies if deemed necessary and should also secure the economy's solid mid-term growth.** We note the authorities' intention not to extend supportive policies beyond 2021:3Q under the situation where the number of infections is showing resurgence most recently. We encourage the authorities to closely monitor the development of the pandemic itself and its economic impact, and to swiftly re-expand support if needed. In particular, the authorities should give their full attention to the labor market. As temporal unemployment increase is likely with the NOW expired, we support the authorities' ongoing efforts for labor allocation to support

training and job matching. We also note that the adverse impacts of the pandemic were unevenly distributed, with the self-employed and workers on temporary contracts having been disproportionately affected. In this regard, we commend the authorities' commitment to address vulnerabilities in the labor market by reducing duality and achieving higher labor participation. In addition, we also support staff's recommendation on mid-term fiscal policy to invest in education, R&D, and climate change.

Second, on the financial front, **authorities should accommodate necessary credit provisions by banks and smooth capital reallocation.** We positively note that banks have supported firms through the provision of credit utilizing the authorities' policy measures. In this regard, we encourage the authorities to closely monitor financial sector developments as support measures phase out to ensure necessary liquidity and credit is provided to viable but distressed firms. We welcome the timely introduction of the new restructuring law, which would contribute to smooth and effective capital reallocation. We also concur with staff's advice that macroprudential policy should remain accommodative to avoid undesired tightening of financing conditions.

Third, **risks associated with the real estate market call for vigilant monitoring.** The housing price soaring reflect various factors including persistent supply bottlenecks and tax treatment of owner-occupied housing. Such imbalances are problematic as they would affect both financial stability and housing affordability. We support the scheduled activation of floors for mortgage loan risk weights, but we encourage the authorities to implement further reforms to address structural causes both for residential and commercial properties, including further cut of subsidies.