

**FOR  
INFORMATION**

FO/DIS/23/21

February 23, 2023

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Kingdom of the Netherlands—The Netherlands—Statement by the European Central Bank Representative**

Board Action: Executive Directors' **information**

Additional Information: For the Executive Board discussion on Kingdom of the Netherlands—The Netherlands to be held on Monday, February 27, 2023.



**Statement by Rasmus Rueffer (ECB Representative) and Maddalena Perretti (Advisor) on  
Kingdom of the Netherlands—The Netherlands—2022 Article IV Consultation**

**IMF Executive Board Meeting**

27 February 2023

We would like to thank Mr. Hilbers and Ms. Eijking for their informative Buff statement and Staff for their balanced Report. We broadly agree with Staff and share many of the main findings. We associate ourselves with the statement of Mr. Buissé and would also like to highlight the following items for emphasis.

**The ECB staff broadly shares the macroeconomic assessment of IMF staff.** The very strong GDP outturn in the final quarter of 2022 implies a carry-over into 2023 of 1%. This, together with overall positive news from available short-term indicators, means that the current IMF forecast of 0.6% GDP growth in 2023 appears on the low side. Still risks remain, the most prominent one being a rapid correction of the housing market, in view of fast rising mortgage rates and the sharp slowdown in house prices.

**The ECB staff also share the assessment on the inflation outlook.** An important point is that energy inflation, which had skyrocketed during 2022, was heavily affected by the way energy prices are measured. The current methodology of calculating consumer energy prices relies on short-term rate contract pricing, rather than including longer-term cheaper contracts, resulting in an overestimated energy bill when wholesale energy prices increase sharply. In 2022, headline inflation would have been about two to five percentage points lower than published if average energy contract prices had been considered.

**We agree overall with the Staff's assessment on fiscal policies.** The Fund's recommendation for a non-expansionary or mildly contractionary fiscal stance in 2023 is warranted, as is the recommendation for better targeted energy support measures. If better targeted measures are not feasible for political and administrative reasons, as noted by the authorities, most of the measures should be phased out as planned at the end of the year.

**We also broadly share Staff's recommendation of using available fiscal space for climate-related investment and for spending on education and R&D.** However, undertaking these ambitious expenditure plans in an efficient and effective way might

prove to be challenging.

**As for financial sector issues, ECB staff agrees with the overall assessment of systemic risk in the Dutch financial system** – specifically the accumulated vulnerabilities in residential real estate markets, which may amplify the effects of a larger-than-expected house price correction on the financial sector and the real economy. We also agree with Staff's positive assessment of the LTV-sensitive risk-weight measure for mortgage loans in place, and with the suggestion to complement it with a tightening of borrower-based measures.

**ECB staff shares Staff's view on the appropriateness of the current 1% CCyB rate.**

This buffer can be released to absorb potential losses from risk materialisation. The ECB also welcomes the national authorities' intention to gradually raise the CCyB to their target level of 2%, should macro-financial conditions allow and in the absence of risks of procyclical effects.

**More generally, the ECB welcomes the initiative by the DNB to act early in the financial cycle by setting a positive neutral CCyB rate.** This facilitates a gradual build-up of the buffer, accounts for uncertainty in the risk identification process and ensures the availability of releasable capital to provide relief to the banking sector in a wider set of adverse scenarios. The Dutch authorities' initiative is inscribed in the context of a broader international move towards a more active use of this instrument, which is also supported by the Basel Committee on Banking Supervision.

**Finally, we support the authorities' efforts to further enhance energy security which could play an important role in case of gas shortages appearing elsewhere in the EU.** We also concur with Staff's assessment that further progress in tackling labour market duality could alleviate the tightness of the labour market, further increase resilience and boost labour participation and productivity.