



Statistics Netherlands

# Macroeconomic Imbalances Factsheet

## Introduction

Since the outbreak of the credit crunch crisis in 2008, and the subsequent European debt crisis, it has become clear that there are large macroeconomic imbalances in Europe. Therefore, the European Union has formulated the so called Macroeconomic Imbalance Procedure. By means of a scoreboard the European Commission judges whether there are (potential) imbalances within the member state's economies.

If the Commission detects imbalances, it can analyse the economic developments in the country concerned. Furthermore, the Commission can request the country to establish an action plan. If the action plan is not satisfactory twice in a row, or if the country does not execute the plan, the Commission could impose a fine.

The scoreboard consists of eleven indicators, which are shown in the table below. The table also shows the lower and upper limits per indicator, and the 2014 figures for The Netherlands.

Indicator	Threshold	Upper limit	Netherlands, 2014
<a href="#">Current account balance, % GDP, three year average</a>	-4	+6	10.8
<a href="#">Net international investment position, % GDP</a>	-35	none	60.1
<a href="#">Real effective exchange rate, three year % change</a>	-5	+5	0.8
<a href="#">Share of world exports, % change compared to five years previously</a>	-6	None	-11.3
<a href="#">Nominal unit labour costs, % change compared to three years previously</a>	none	+9	5.4
<a href="#">Deflated house prices, % change compared to one year previously</a>	none	+6	-0.5
<a href="#">Private credit flow, % of GDP</a>	none	+14	-1.6
<a href="#">Private debt, % of GDP</a>	none	+133	228.9
<a href="#">General government gross debt, % of GDP</a>	none	+60	67.9
<a href="#">Unemployment rate, international definition, three year average</a>	none	+10	6.8
<a href="#">Total financial sector liabilities, % change compared to one year previously</a>	none	+16.5	8.2



## Statistics Netherlands

This file provides an overview of the background and the development of each indicator. Yearly figures are shown in this overview. The file is updated at least twice a year, usually in April and October. At that moment, the most recent available annual figures are used. The last update has been published on 8 October 2015.

The most recent figures of the eleven scoreboard indicators can be found on [StatLine](#), theme Macroeconomics.

More information on the Macroeconomic Imbalance procedure can be found on Eurostat's [website](#).



## Current account balance

### What is the current account balance?

The current account balance shows a country's income minus its spendings. The current account balance consists of the trade account, the net primary income and the net secondary income. The trade account shows the net exports of goods and services. On the primary income account, cross border income is registered which is not related to exports and imports, e.g. wages, interest payments and earnings, and dividends. The net secondary income consist of income transfers, like development aid and income transfers from and to the European Union.

For more information: see Eurostat's [website](#).

### Upper and lower limits

The European Commission imposed both a lower and an upper limit for the current account balance. The lower limit is -4 percent of GDP, the upper limit +6 percent. The European Commission monitors the three year moving average.

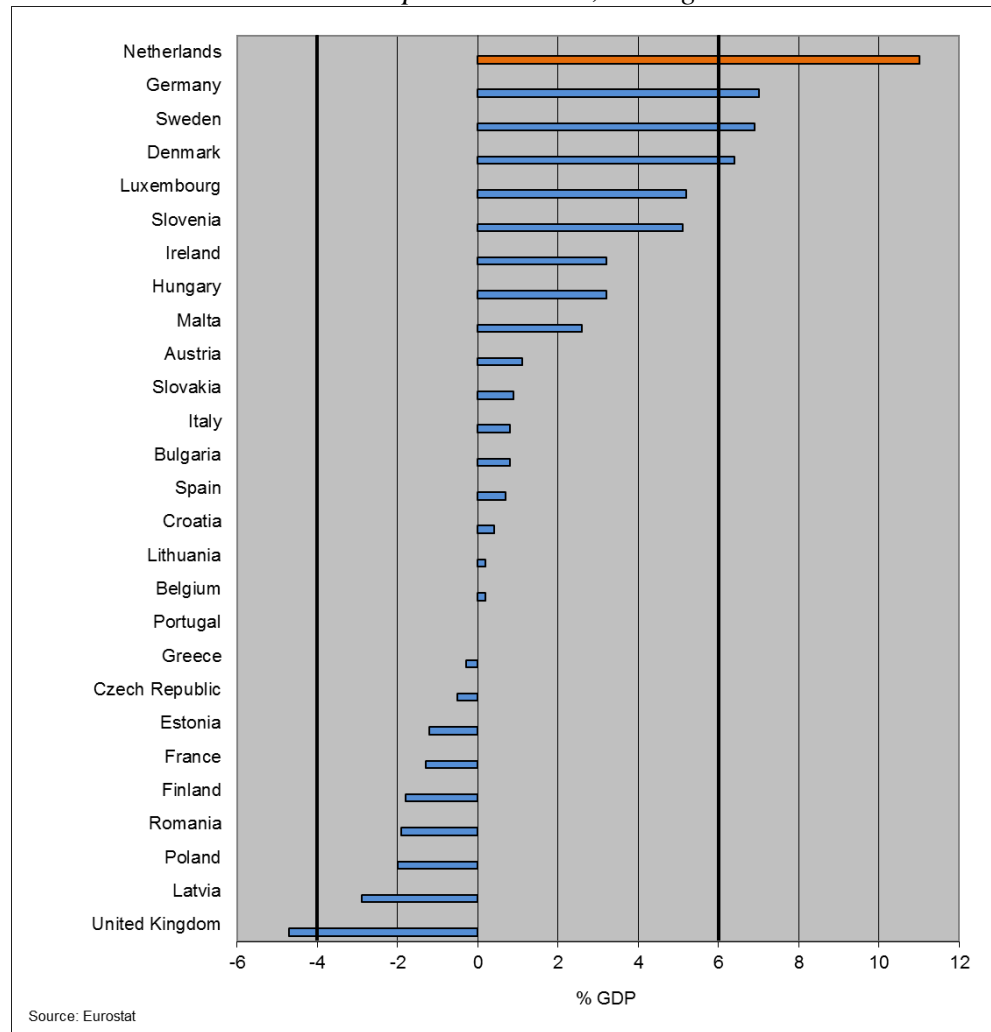
### Recent developments

The Netherlands has had a surplus on the current account for decades, mainly due to the surplus on the trade account. There is a deficit on the secondary income account. Net primary income was negative in 2008 and 2009, but positive afterwards. However, net primary income decreased in 2013 and 2014.

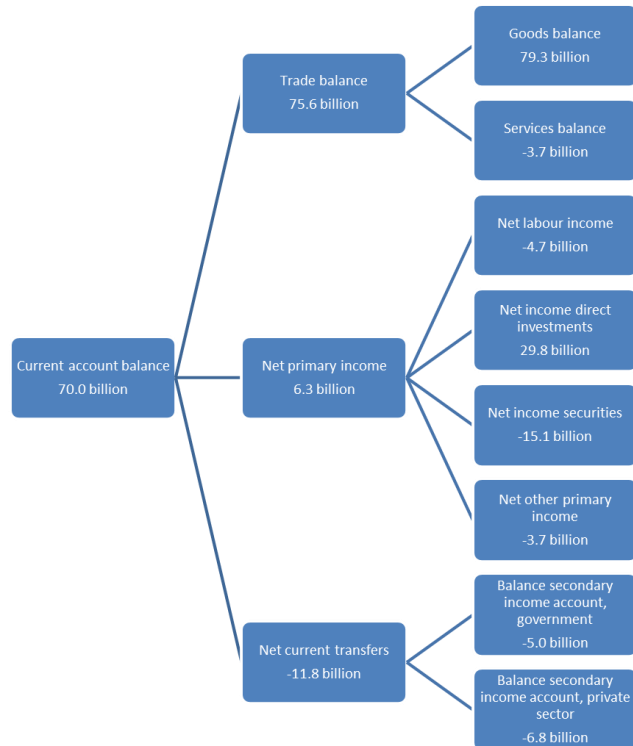
The three year average has been above the upper limit since 2011.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Current account balance European countries, average 2012-2014*

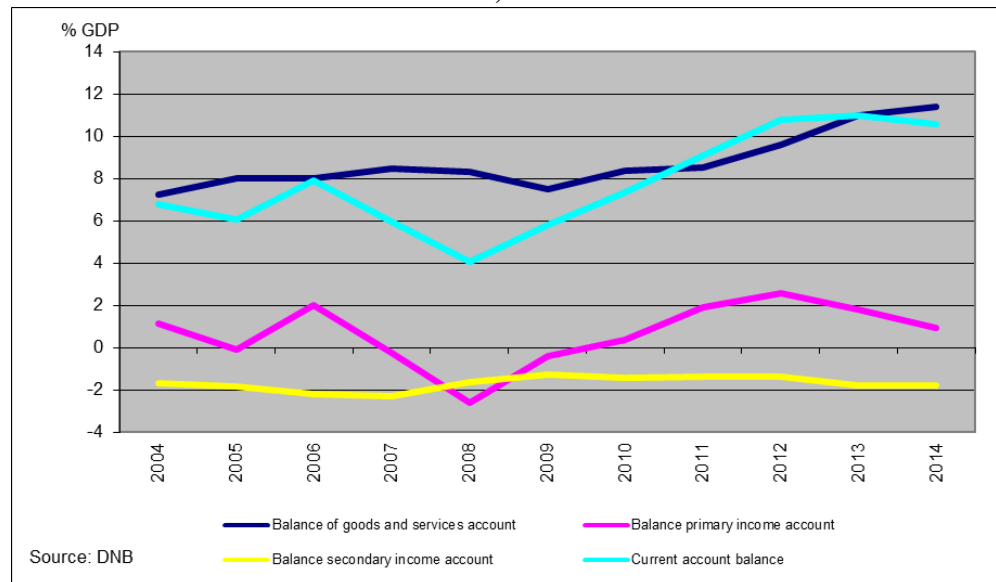


Current account balance Netherlands, 2014



Source: DNB

Current account balance Netherlands, 2008-2014





## Net international investment position

### What is the net international investment position?

The net international investment position is calculated as the sum of all foreign claims minus the sum of all foreign liabilities. The net international investment position consists of the net direct investments, net portfolio investments, net derivatives, net other investments and the official reserves.

Direct investments are often transactions which can be linked to Dutch companies obtaining participations in foreign companies, or the other way around. It could be about a takeover of a consisting company, or about establishing new production locations. The main difference between direct investments and buying stocks is, that in the case of direct investments, the company actively participates in another company and has a substantial control over the other company's policies. Most transactions between a mother company and a foreign subsidiary company (e.g. intra company loans) are also recorded as a direct investment.

The net portfolio investments show the value of foreign stocks, bonds and commercial paper owned by Dutch companies, individuals and the Dutch government minus the value of Dutch securities owned by foreigners.

Net financial derivatives show the value of foreign derivatives owned by Dutch nationals minus the value of Dutch derivatives owned by foreign individuals, companies and institutions. Financial derivatives are investment instruments which value is derived from the value of other securities or commodities, like stocks or crude oil. The most important derivatives are options, swaps, forwards and futures.

The other net investments include loans and trade credits and advances. The official reserves mainly consist of monetary gold and foreign exchanges of the Dutch central bank.

More information on the net international investment position can be found on Eurostat's [website](#).

### Upper and lower limits

The European Commission imposed only a lower limit for the net international investment position (-35 percent of GDP).

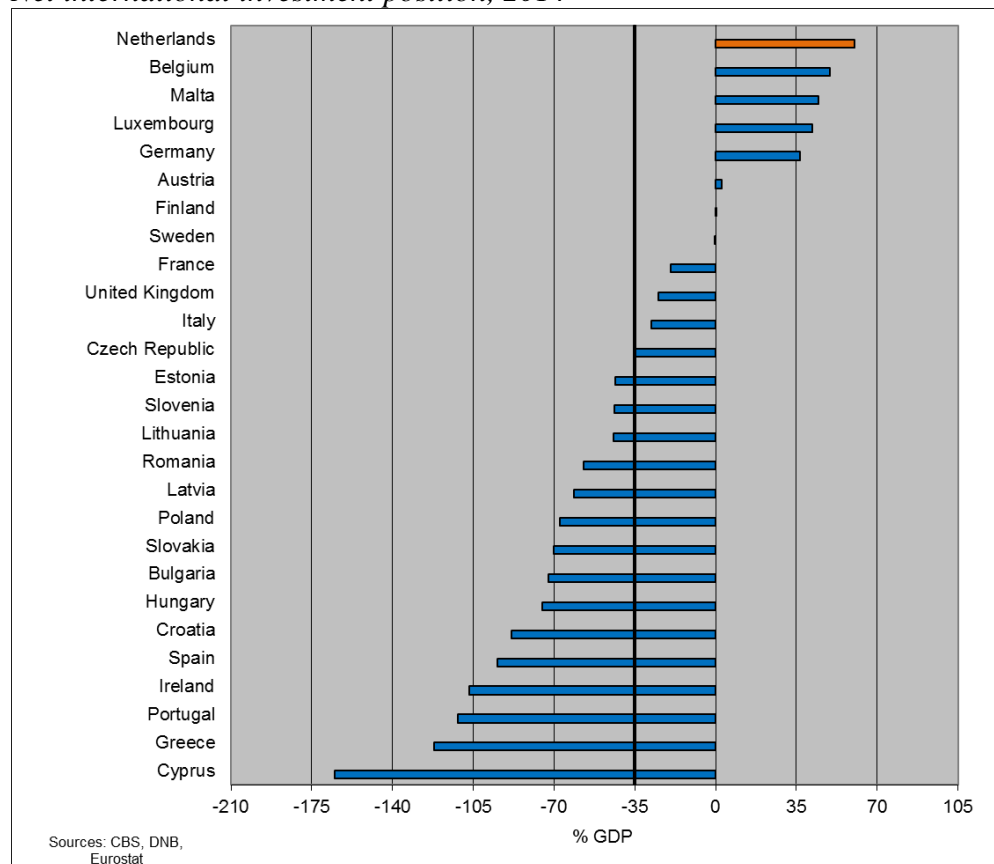
### Recent developments

In the years after the credit crisis, the investment position increased substantially. In 2014, the Dutch net international investment position was nearly 399 billion euro, i.e. over 60 percent of GDP. The increase in the years from 2009 to 2013 can to a large extent be attributed to the surplus on the current account. The increase in 2014, however, can also be attributed to a net appreciation of financial assets.

In 2014, particularly the balance of direct investments was very positive. Derivatives, the official reserves and the so called net other investments (like loans, currencies and deposits) also contributed to the positive net international investment position, but to a lesser extent. The balance of securities was negative.

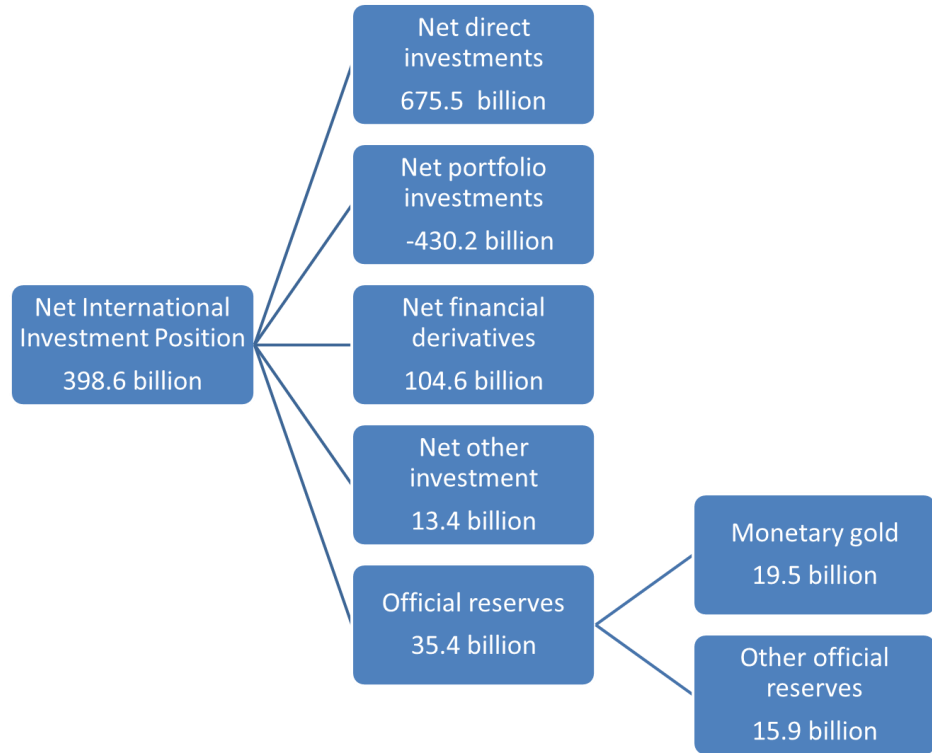
More figures can be found in [StatLine](#), theme Macroeconomics.

*Net international investment position, 2014*



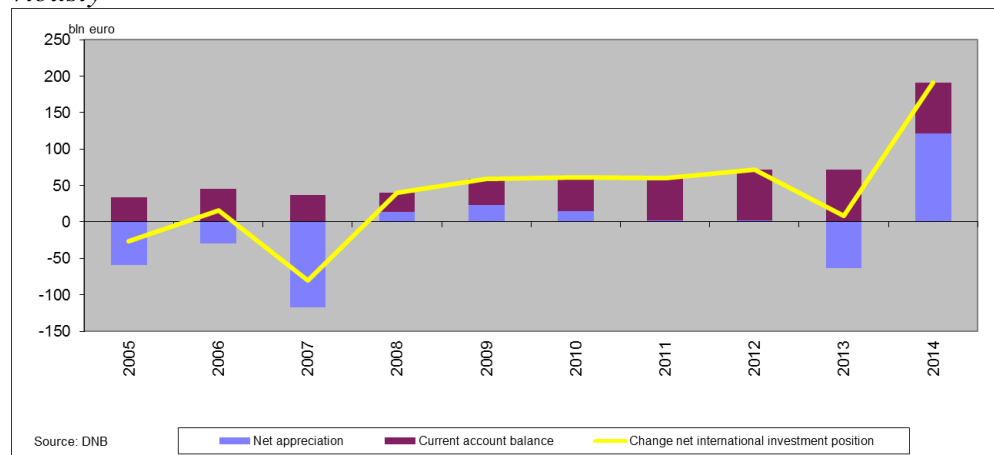


*Structure net international investment position Netherlands, 2014*



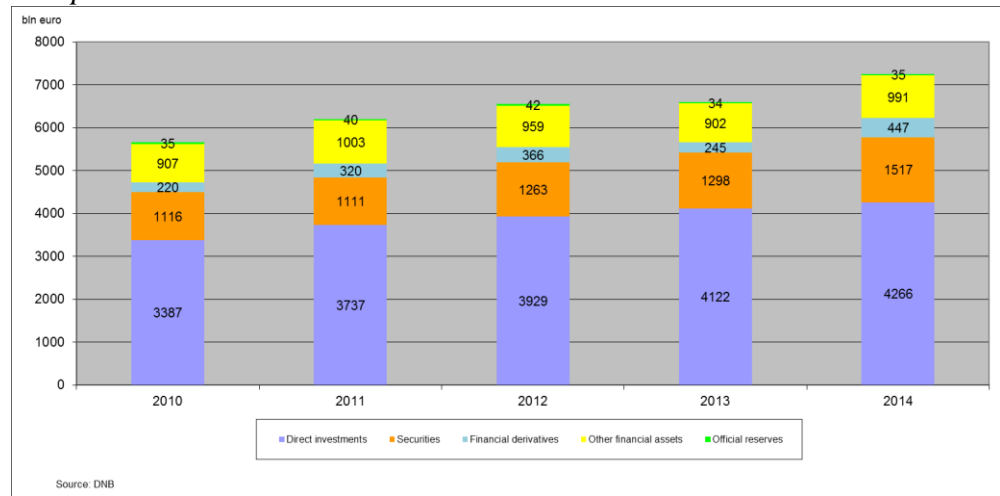
Source: DNB

*Change net international investment position compared to one year previously*

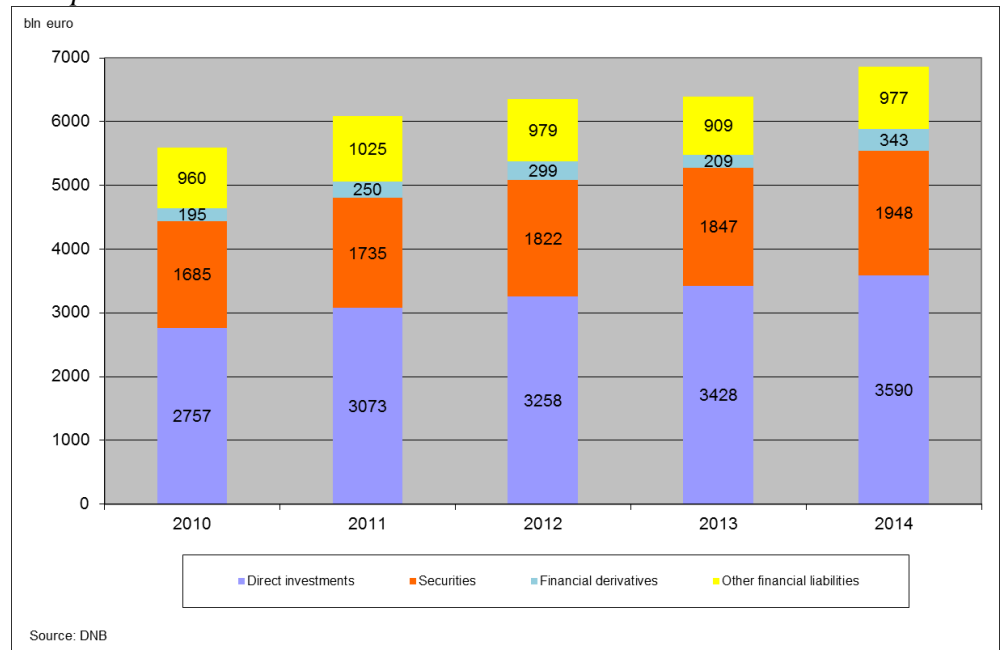


Source: DNB

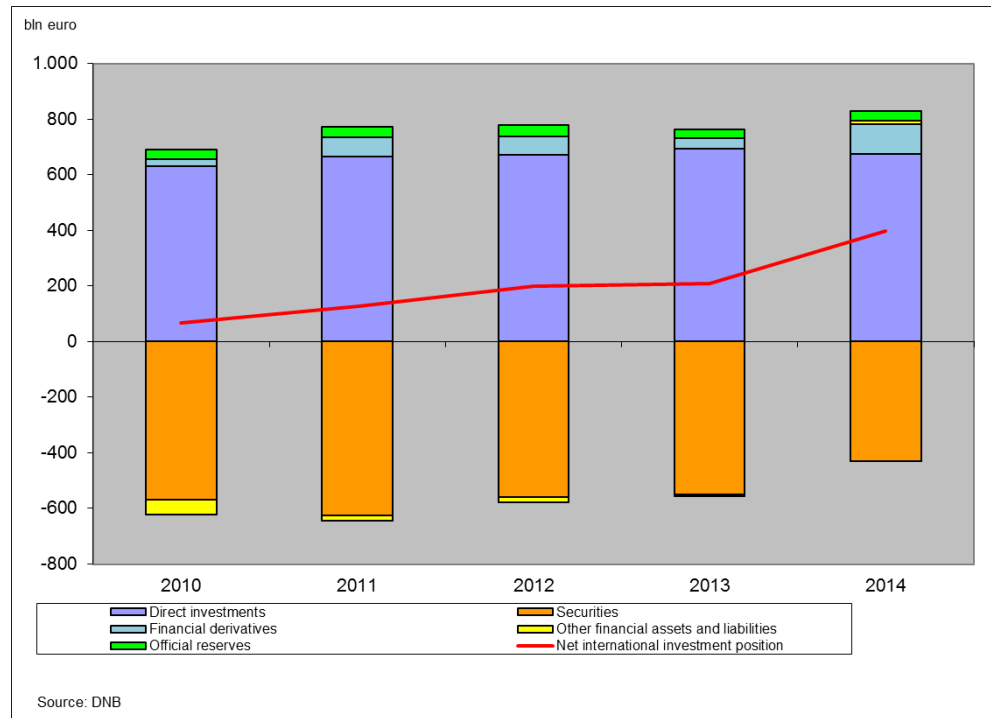
*Composition external assets*



*Composition external liabilities*



*Balance assets and liabilities*





## Real effective exchange rate

### What is the real effective exchange rate?

The real effective exchange rate is the exchange rate adjusted for price developments. The European Commission uses the relative consumer prices, i.e. the exchange rate adjusted for changes in the European harmonised consumer price index (HICP).

More information on the real effective exchange rate can be found on Eurostat's [website](#).

### Upper and lower limits

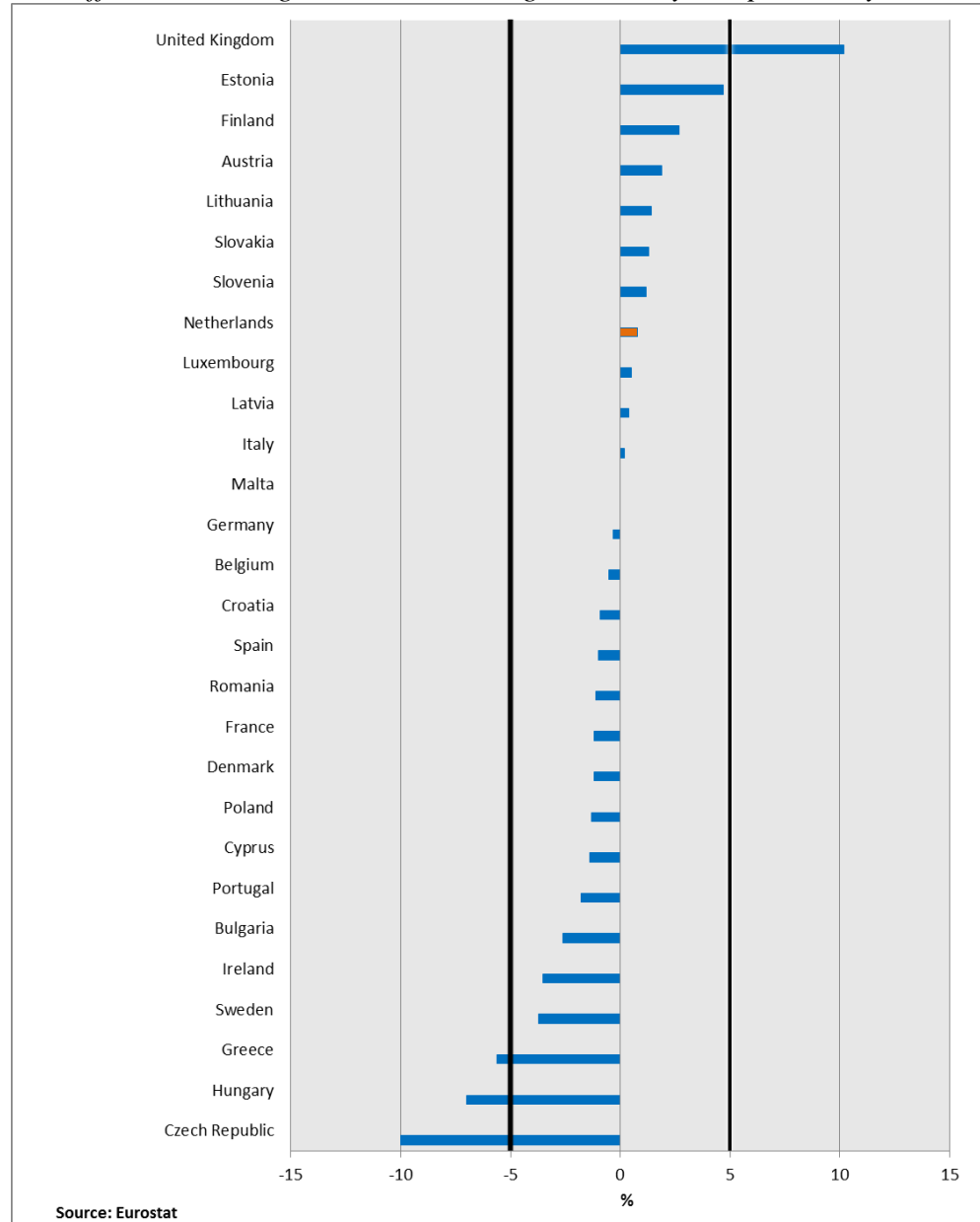
The European Commission monitors the change compared to three years previously. The upper and lower limits are +5 percent and -5 percent respectively.

### Recent developments

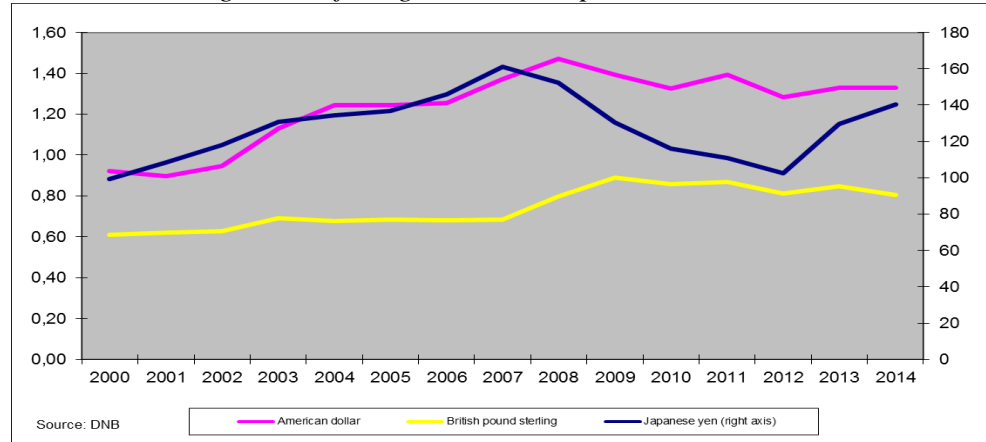
At the end of 2014, the Dutch real effective exchange rate was 0.8 percent up on three years previously. The development of the real effective exchange rate is partly determined by the nominal exchange rates. Expressed in American dollars, the value of the euro hardly changed. The euro appreciated relative to the Japanese yen, and depreciated slightly relative to the British pound.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Real effective exchange rate, 2014, change on three years previously*



*Nominal exchange rates, foreign currencies per euro*



## Share of world exports

### What is the share of world exports?

The share of world exports is the value of Dutch exports as a percentage of total international world trade. More information on the share of world exports can be found on Eurostat's [website](#).

### Upper and lower limits

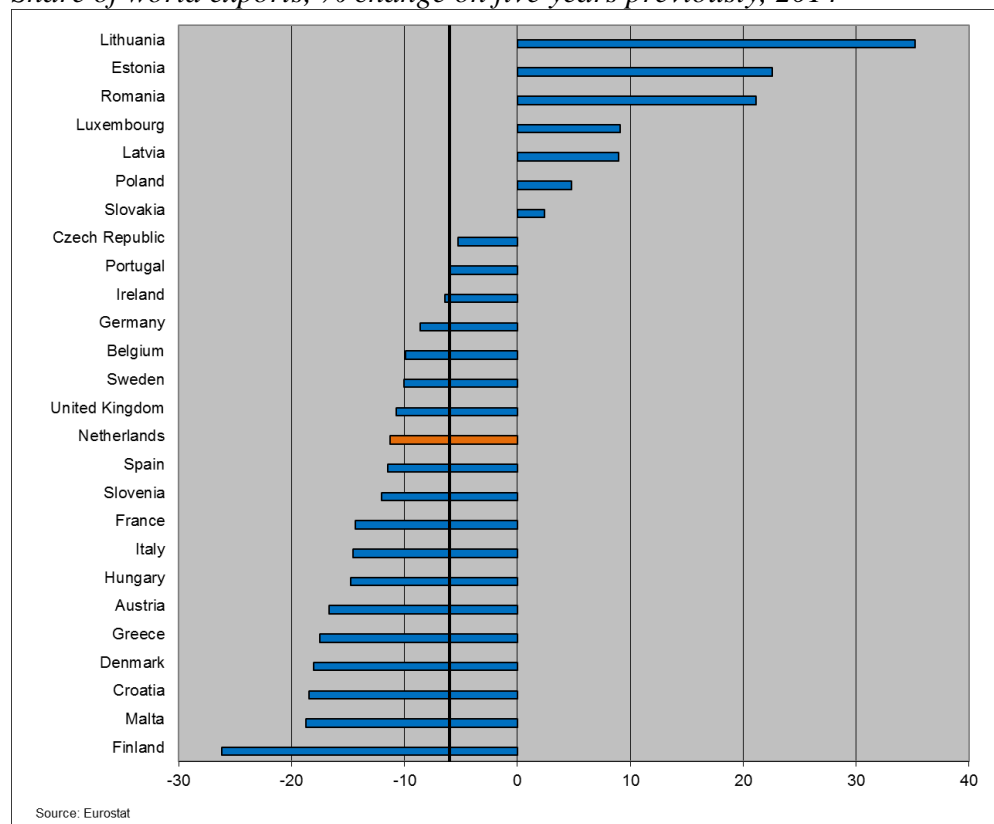
The European Commission monitors the change compared to five years previously. There is only a lower limit of -6 percent.

### Recent developments

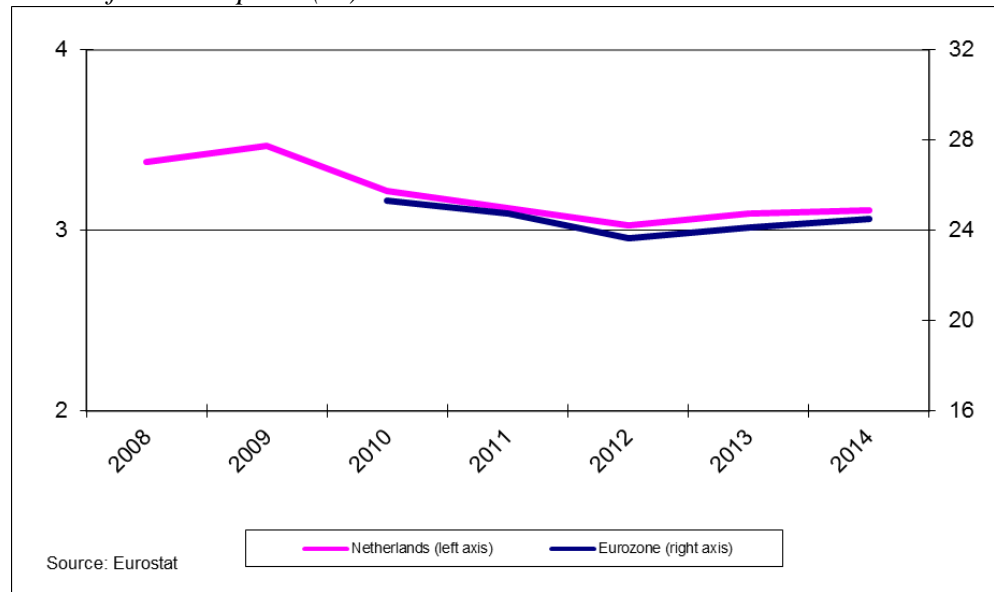
In 2014, the Dutch share of world exports was considerably smaller than five years previously. Most other countries in the eurozone also faced a loss. This can partly be attributed to the growth in Asian and Latin American countries. The Dutch share of world exports declined from 2009 to 2012, but recovered slightly in 2013 and 2014.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Share of world exports, % change on five years previously, 2014*



Share of world exports (%)





## Nominal unit labour costs

### What are the nominal unit labour costs?

The nominal unit labour costs show the ratio between labour costs and labour productivity. An increase means that labour costs rise quicker than labour productivity. This can be negative for a country's competitiveness. More information on the nominal unit labour costs can be found on Eurostat's [website](#).

### Upper and lower limits

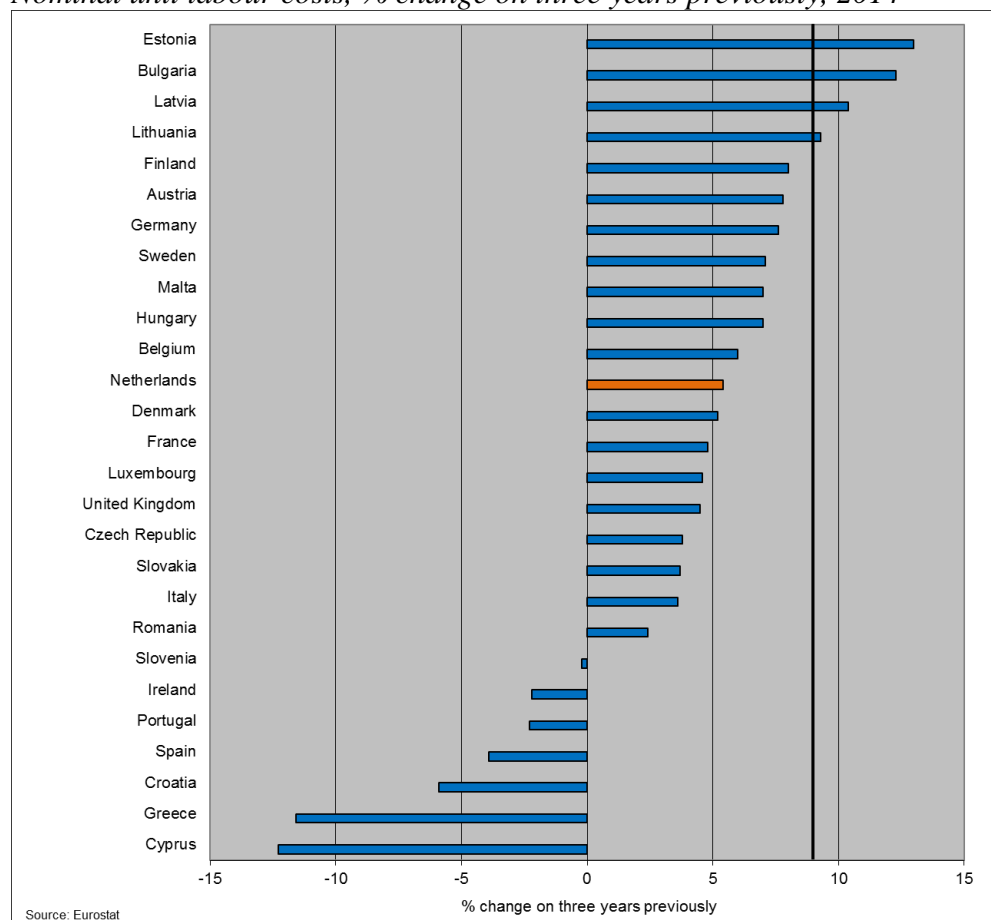
The European Commission monitors the change from three years previously. The European Commission imposed an upper limit of +9 percent.

### Recent developments

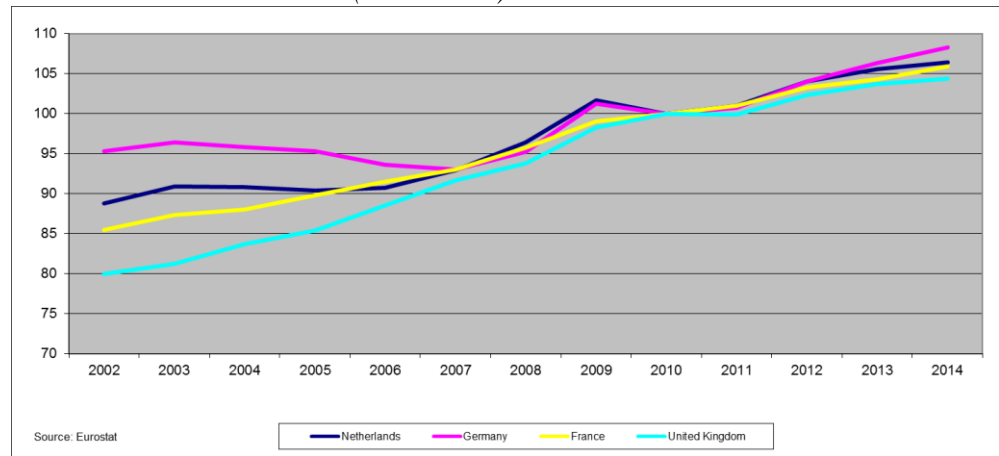
In 2014, nominal unit labour costs were over 5 percent up on three years previously. The increase was somewhat less substantial than in Germany and Belgium, but slightly larger than in the United Kingdom.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Nominal unit labour costs, % change on three years previously, 2014*



*Nominal unit labour costs (2010=100)*



## Deflated house prices

### What are deflated house prices?

Deflated house prices are the ratio between the house price index on the one hand and the deflator for household consumption on the other hand. The indicator compares house price developments with the development of prices for households and non-profit organisations. To estimate the house price index, Eurostat uses data about both existing and new houses. More information can be found on Eurostat's [website](#).

### Upper and lower limits

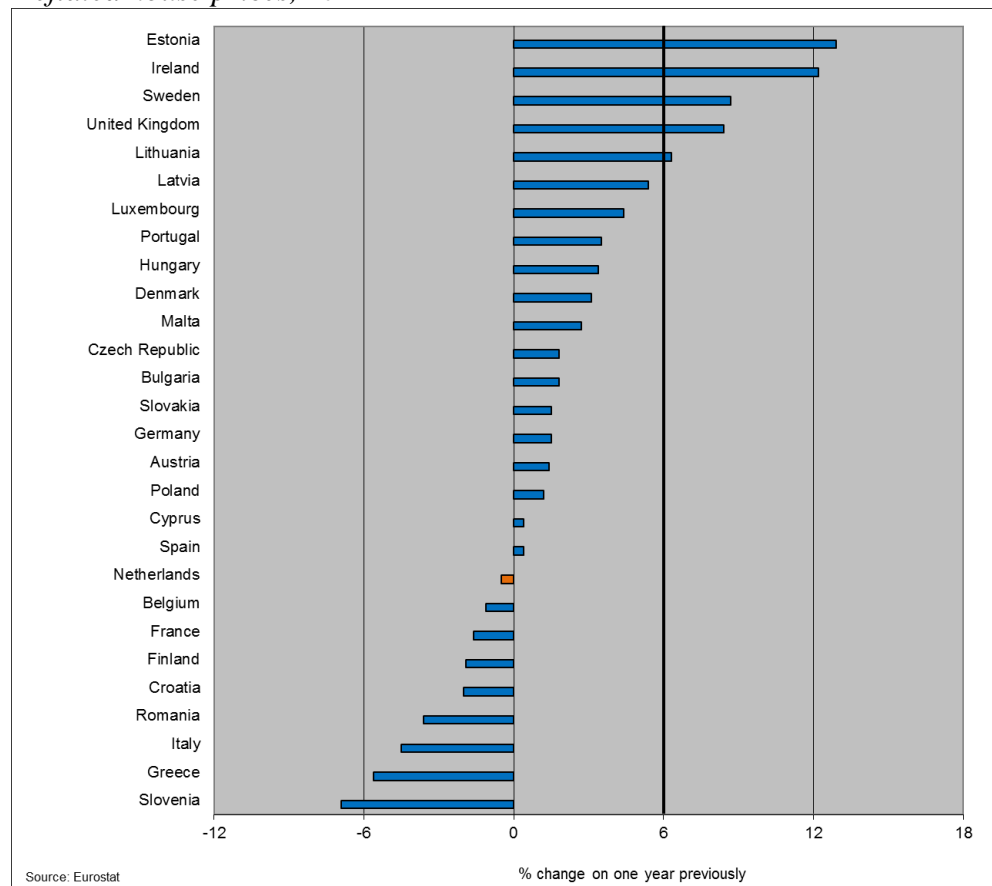
The European Commission monitors the change from one year previously. The Commission imposed an upper limit of +6 percent.

### Recent developments

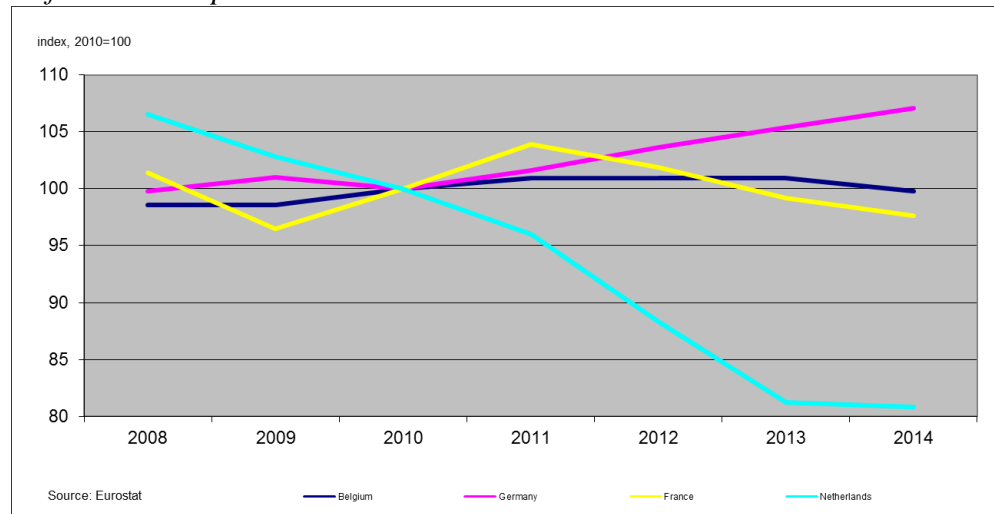
Since 2008, deflated house prices dropped considerably in the Netherlands, although prices hardly fell anymore in 2014. In Germany, on the other hand, prices increased. House prices in France dropped in 2009, rose in 2010 and 2011, and dropped again in 2012 and 2013. In Belgium, deflated house prices hardly changed.

More figures can be found in [StatLine](#), theme Macroeconomics.

### Deflated house prices, 2014



*Deflated house prices*





## Private credit flow

### What is the private credit flow?

The private credit flow shows how much debt households, non-profit organisations serving households and non-financial companies make during the year. The private credit flow is consolidated, i.e. transactions within the same sector are not taken into account. More information on the private credit flow can be found on Eurostat's [website](#).

### Upper and lower limits

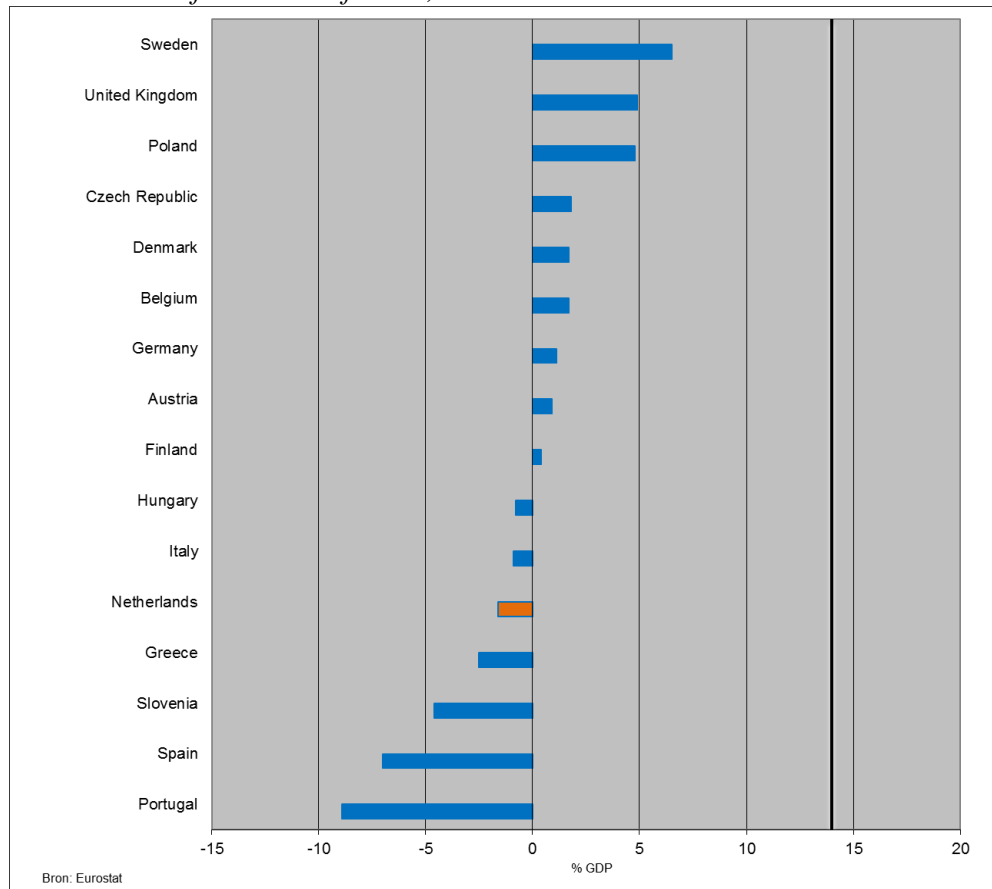
The European Commission monitors the private credit flow as a percentage of GDP. The Commission imposed an upper limit of 14 percent.

### Recent developments

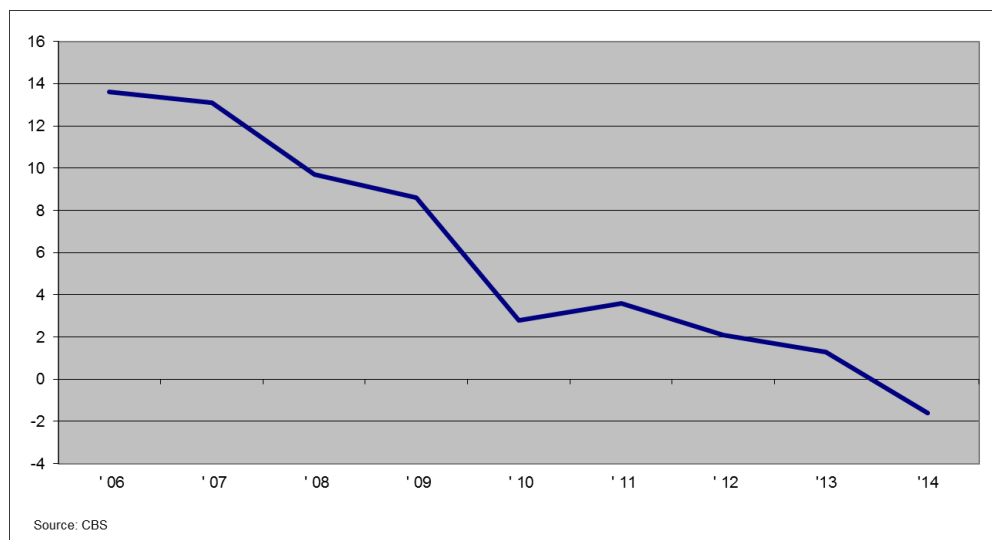
The Dutch private credit flow declined considerably after 2006. In 2014, the private credit flow was -1.6 percent of GDP. On balance, both households and non-financial corporations paid off their loans.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Private credit flow as % of GDP, 2014*



*Private credit flow as % of GDP*





## Private debt

### What are private debts?

Private debts are debts of households, non-profit organisations serving households and non-financial corporations. Debts are consolidated, i.e. debts within the same sector are not taken into account. More information can be found on Eurostat's [website](#).

### Upper and lower limits

The European Commission monitors private debt as percentage of GDP. The Commission imposed an upper limit of 133 percent.

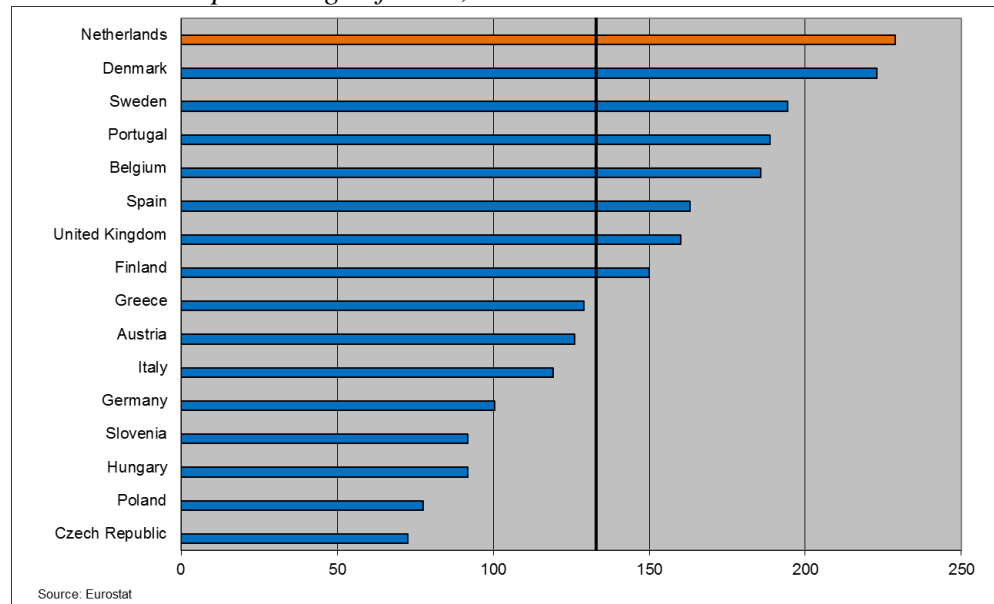
### Recent developments

After a considerable increase in the nineties and the beginning of the 21<sup>st</sup> century, private debt as a percentage of GDP remained fairly stable from 2003 to 2008. In this period, household debt increased, but the debt of non-financial corporations dropped. In 2009, private debt increased considerably as a percentage of GDP, partly due to the economic decline. From 2009 to 2014, private debt remained fairly stable again. In 2014, household debt decreased, but the non-financial corporations debt rose.

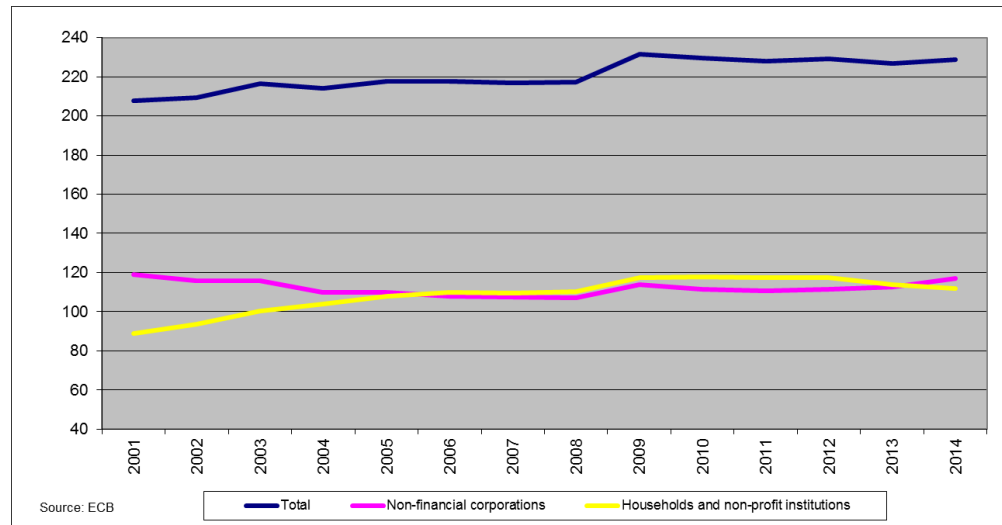
Private debts are much higher than the upper limit. Particularly household debt is high in comparison to most other European countries. In the beginning of the 21<sup>st</sup> century, households contracted many (mortgage) loans. On the assets side of the balance sheet, especially pension claims increased considerably. Non-financial companies have more and more securities on the assets side.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Private debt as percentage of GDP, 2014*

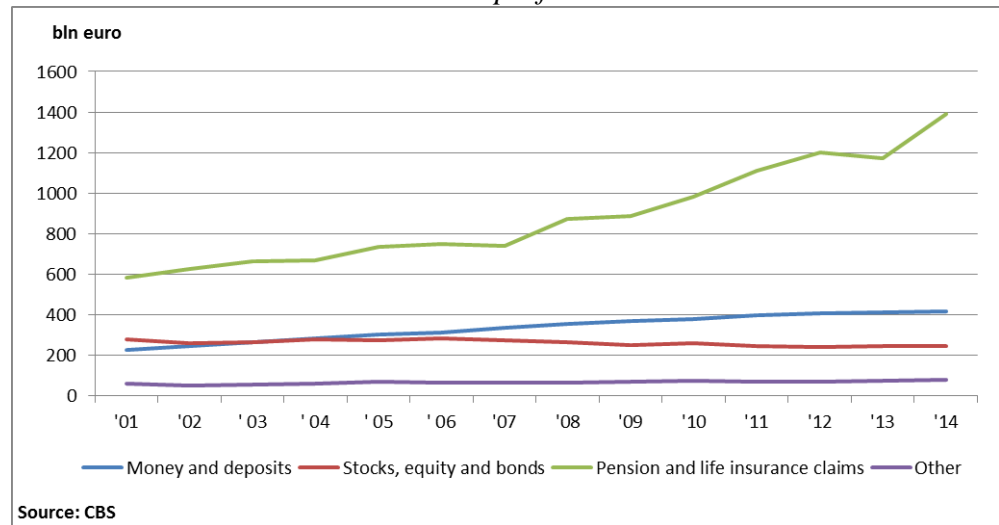


*Private debt as %GDP*

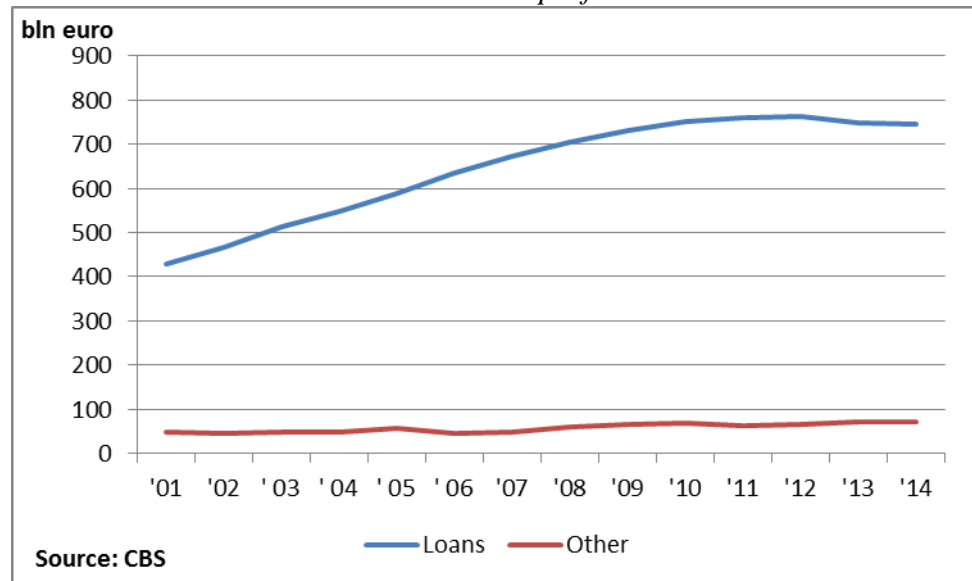




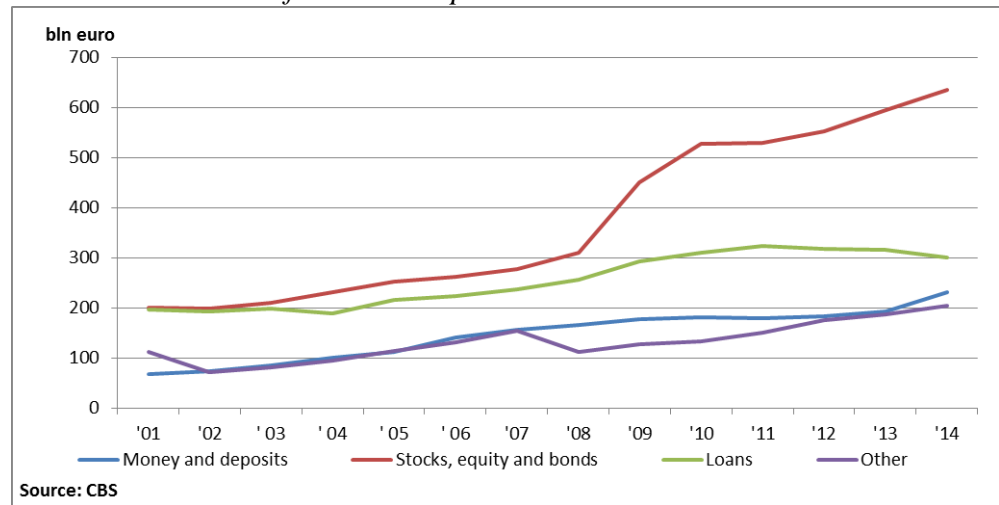
*Financial assets households and non-profit institutions*



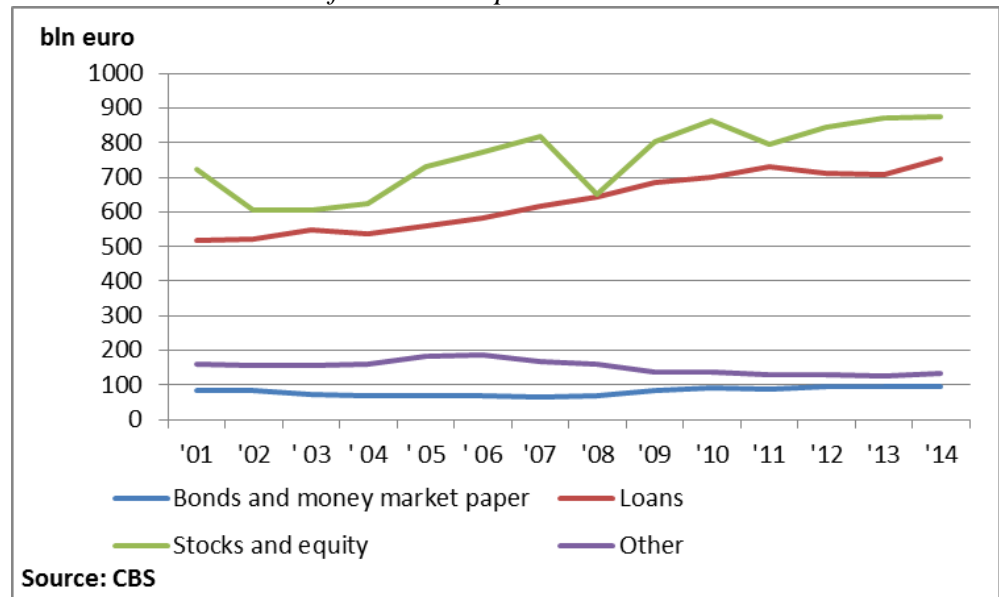
*Financial liabilities households and non-profit institutions*



*Financial assets non-financial corporations*



*Financial liabilities non-financial corporations*





## Government debt

### What is the government debt?

Government debt is the total debt of the Dutch government, including provinces and municipalities. More information can be found on Eurostat's [website](#).

### Upper and lower limits

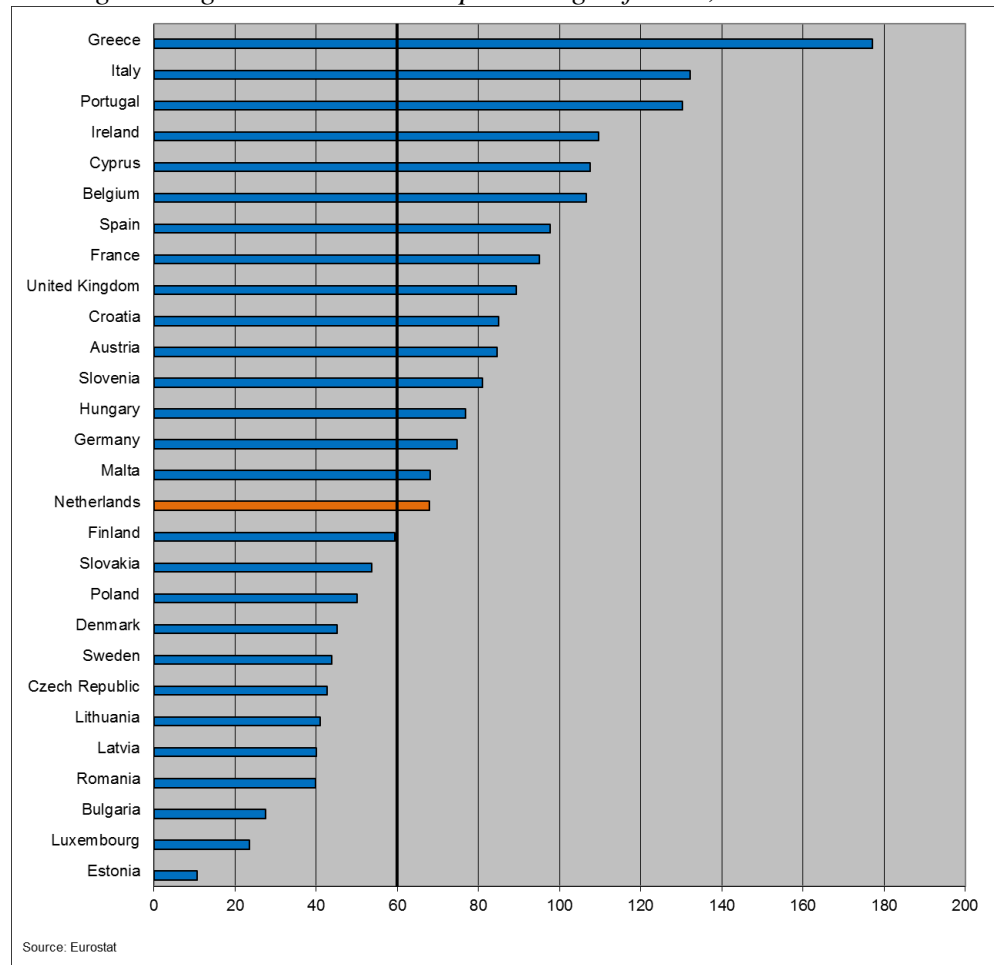
The European Commission monitors the government debt as a percentage of GDP. The upper limit is 60 percent.

### Recent developments

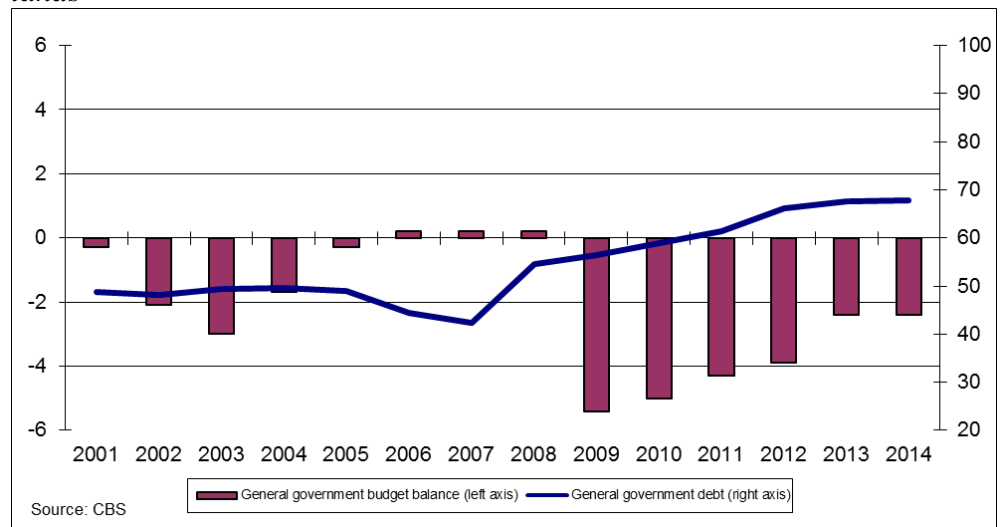
In 2006 and 2007, government debt as a percentage of GDP fell, but as from 2008, the debt ratio increased, partly due to interventions in the financial sector. In 2008, the government nationalized ABN Amro and Fortis and gave ING a financial injection. As from 2009, the budget deficit also had an upward effect on the government debt. In 2013, the nationalization of SNS REAAL had an upward effect on government debt too. To finance the deficit and the interventions in the financial sector, the government had to issue more bonds. These bonds appeared on the liabilities side of the government's balance. Dutch government debt ratio is above 60 percent now. The government deficit has got smaller from 2010 to 2013, and hardly changed in 2014.

More figures can be found in [StatLine](#), theme Macroeconomics.

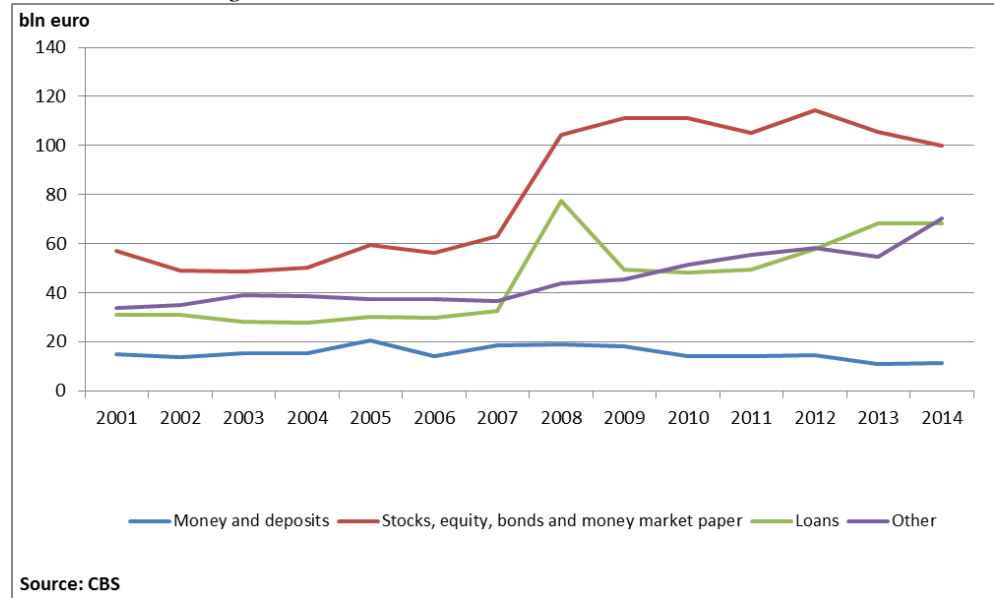
Gross general government debt as percentage of GDP, 2014



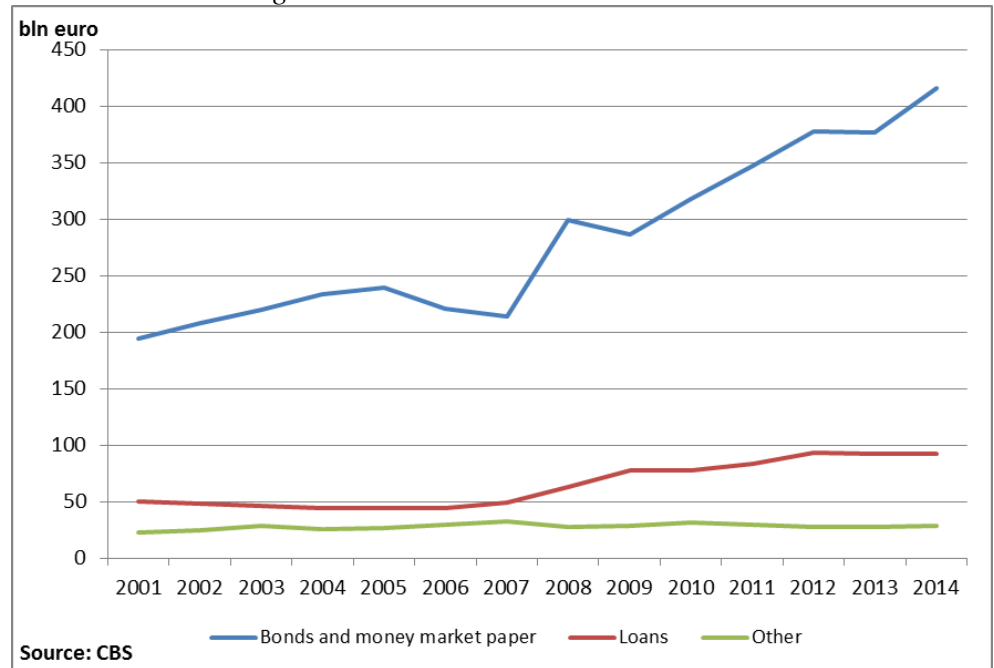
Government debt and government budget balance as % of GDP, Netherlands



*Financial assets government*



*Financial liabilities government*





## Unemployment

### **What is the unemployment rate?**

The unemployment rate is the number of unemployed persons as a percentage of the labour force. According to the international definition, someone is unemployed if he does not work, and if he is available for 1 hour or more. More information on unemployment can be found on Eurostat's [website](#).

### **Upper and lower limits**

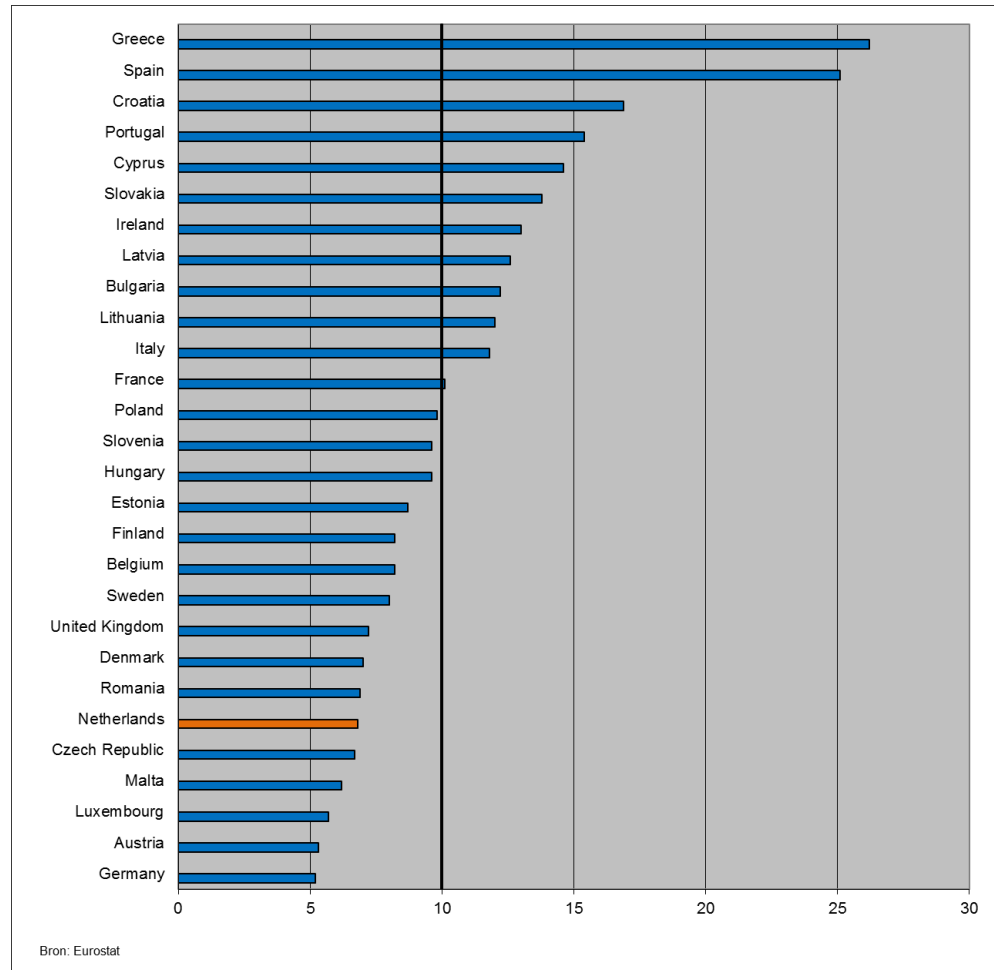
The European Commission monitors unemployment according to the international definition. The Commission imposed an upper limit of 10 percent.

### **Recent developments**

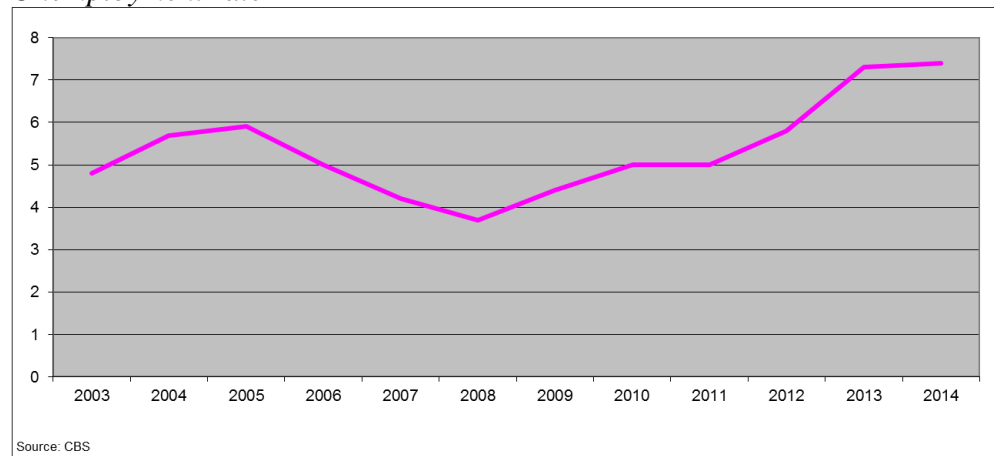
Unemployment has risen dramatically since the start of the credit crunch crisis. Nevertheless, unemployment in the Netherlands is still low compared to most other European countries.

More figures can be found in [StatLine](#), theme Macroeconomics.

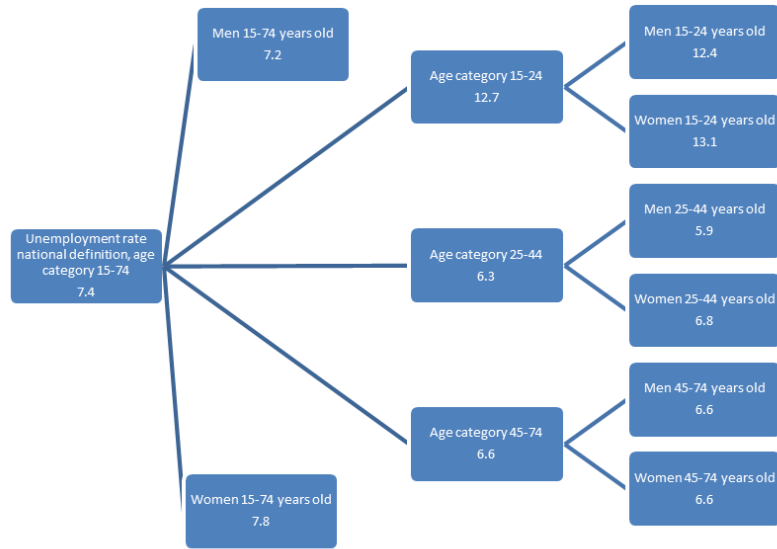
*Unemployment rate, international definition, three year moving average, 2014*



*Unemployment rate*



*Unemployment rate per gender and age group, 2014*







## Liabilities financial sector

### What are the financial sector liabilities?

This indicator shows the sum of all financial liabilities of the financial sector, including loans, deposits, bonds, stocks and insurance-related reserves. The indicator consists of non-consolidated values. So, financial institutions' liabilities to each other are also taken into account. More information on the financial sector's liabilities can be found on Eurostat's [website](#).

### Upper and lower limits

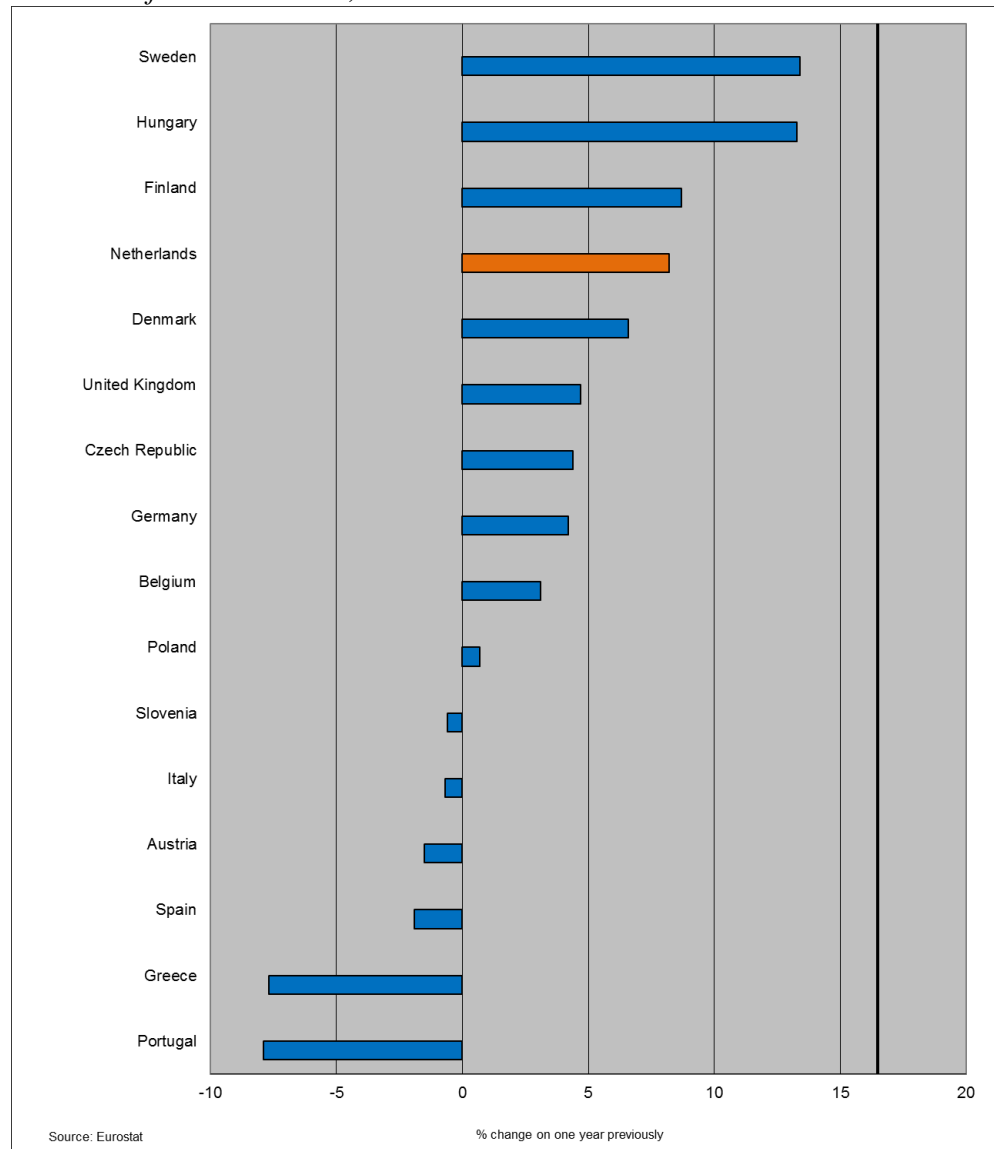
The Commission monitors the year-on-year changes of the financial sector liabilities. The upper limit is 16.5 percent.

### Recent developments

In 2014, financial sector liabilities increased by 8.2 percent, after a decrease in 2013.

More figures can be found in [StatLine](#), theme Macroeconomics.

*Liabilities financial sector, 2014*



*Liabilities financial sector as percentage of GDP*

