Summary for non-specialists
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Macroeconomic Imbalances

Netherlands 2014

On 13 November 2013, the European Commission presented its third Alert Mechanism Report (AMR) in accordance with the Regulation (EU) No. 1176/2011 on the prevention and correction of macroeconomic imbalances. The AMR serves as an initial screening device to identify Member States that warrant further in depth analysis into whether imbalances exist or risk emerging. According to Article 5 of Regulation No. 1176/2011, these country-specific "in-depth reviews" should examine the nature, origin and severity of macroeconomic developments in the Member State concerned, which constitute, or could lead to, imbalances. On the basis of this analysis, presented on 5 March 2014, the Commission will conclude whether it considers that an imbalance exists or not, and if so whether it is excessive or not, and what type of follow-up it will recommend to the Council to address to the Member State.

The 2014 in-depth reviews (for Belgium, Bulgaria, Germany, Denmark, Ireland, Spain, France, Croatia, Italy, Luxembourg, Hungary, Malta, Netherlands, Slovenia, Sweden, Finland and the United Kingdom) were published on 5 March 2014 together with a Commission communication summarising the results. On the basis of the analysis in the In-depth review the Commission concluded that:

The Netherlands continues to experience *macroeconomic imbalances, which require monitoring and policy action*. In particular, macroeconomic developments regarding private sector debt and ongoing deleveraging, coupled with remaining inefficiencies in the housing market, deserve attention. Although the large current account surplus does not raise risks similar to large deficits, and is partly linked to the need for deleveraging, the Commission will follow the developments of the current account in the Netherlands in the context of the European Semester.

More specifically, rigidities and distorted incentives have built up over decades to shape house financing and sectorial savings patterns. Balance sheets of financial institutions became heavily geared towards housing finance, as households leveraged up against housing wealth. In parallel, since the mid-1990s, non-financial corporates moved into a structural savings surplus. This has resulted in a substantial and persistent current account surplus going hand-in-hand with a high level of both gross household debt and household net assets. In recent years, subdued domestic demand in the wake of the global crisis has further pushed up the external surplus. Over the past years there have been improvements in this regard with policies implemented to curb mortgage-financing. Deleveraging will continue to weigh on economic activity but a stabilising housing market and a significantly positive net asset position of households limit the risks. As regards public finances, the Netherlands is forecast to miss its headline deficit target in 2014, the year in which the excessive deficit should be corrected, although it is expected to have adopted the structural measures of the recommended size in 2013-14.