



CPB Netherlands Bureau for  
Economic Policy Analysis

# Macro Economic Outlook 2024

- Brief explanation of differences compared to draft MEV due to August decision-making
  - Purchasing power and poverty
  - Public finances and economic growth
- Main data for 2023 en 2024



CPB Projections

September 2023



# Main points of MEV 2024

**This Macro Economic Outlook (MEV) comprises only a brief explanation of the differences compared to the draft MEV published on 17 August.** In this publication we explain the differences in the main macroeconomic and budgetary data which, unless stated otherwise, can be interpreted as the effect of the decisions adopted in the 2024 Budget Memorandum. There has been no update to the underlying macroeconomic picture between the cMEV and the MEV. Since CPB is currently calculating the economic consequences of the election programmes (Chartered Choices), only a brief MEV is being issued on this occasion.

**The decisions adopted in the Budget Memorandum include measures to combat the rise in poverty. In order to fund these measures, the financial burden is being increased for a wider group of households.** The package comprises an increase in the child budget, the rent allowance, labour tax credit, the general tax credit for social welfare benefit and the young disabled person's credit. The budgetary cost of these measures amounts to €2.3 billion. The outgoing cabinet is increasing the income tax in Box 1 and excise duties on alcohol and tobacco. This will raise €2.2 billion.

**The proposed policy leads to an improvement in the purchasing power of people on the lowest incomes in 2024.** In the cMEV, the cessation of temporary income support in 2024 had a negative impact on purchasing power for people on the lowest incomes. Taking the adopted decisions into account, the purchasing power of the lowest income group actually improves, by an average of 1.1%. This also takes account of the postponement of reforms to the rent allowance.<sup>1</sup> This has a positive effect on the purchasing power of the lowest income group (+0.4 percentage points).

**There is no improvement in median purchasing power compared to the cMEV.** In the case of households in the third income quintile and above, purchasing power improves less than in the cMEV, because taxes are higher, particularly for higher-income households. The decisions adopted in the Budget Memorandum therefore bring no improvement in purchasing power for the median household; the rise in purchasing power is 1.8% (0.1 percentage point less than in the cMEV). The differences between the income groups in terms of the rise in purchasing power in 2024 have thus decreased (Figure 1).

**The previously projected rise in the number of persons living below the poverty line in 2024 is prevented and poverty among children decreases.** The income support measures improve the disposable income of households at the lower end of the income distribution compared to the cMEV and the percentage of persons below the poverty line in 2024 is the same as in 2023 (4.8%). This amounts to 830,000 persons (see Figure 2). An increase to 5.7% had been projected in the cMEV. Poverty among children falls to 5.1% in 2024 (from 6.2% in 2023). This decrease in poverty among

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<sup>1</sup> This concerns the measures referred to on the following page: [Recht op huurtoeslag voor meer huurders met lage inkomens | Nieuwsbericht | Rijksoverheid.nl](#) (More low-income tenants entitled to rent allowance)

children is due to the fact that the increase in the child budget only benefits households with children.

**The cumulative picture of purchasing power in the three years from 2022 to 2024 shows a wide dispersion.** The picture for the combined three-year period is relevant because inflation began to rise sharply from 2022, with wages only following later. There are also large policy differences between the individual years. Purchasing power for median households falls by 1.8% over the three-year period from 2022 to 2024. This does not apply to all income groups; the lowest income quintile sees an improvement of 3.6% over that period, whereas the highest income groups see purchasing power fall by 3.7% (see Figure 3).

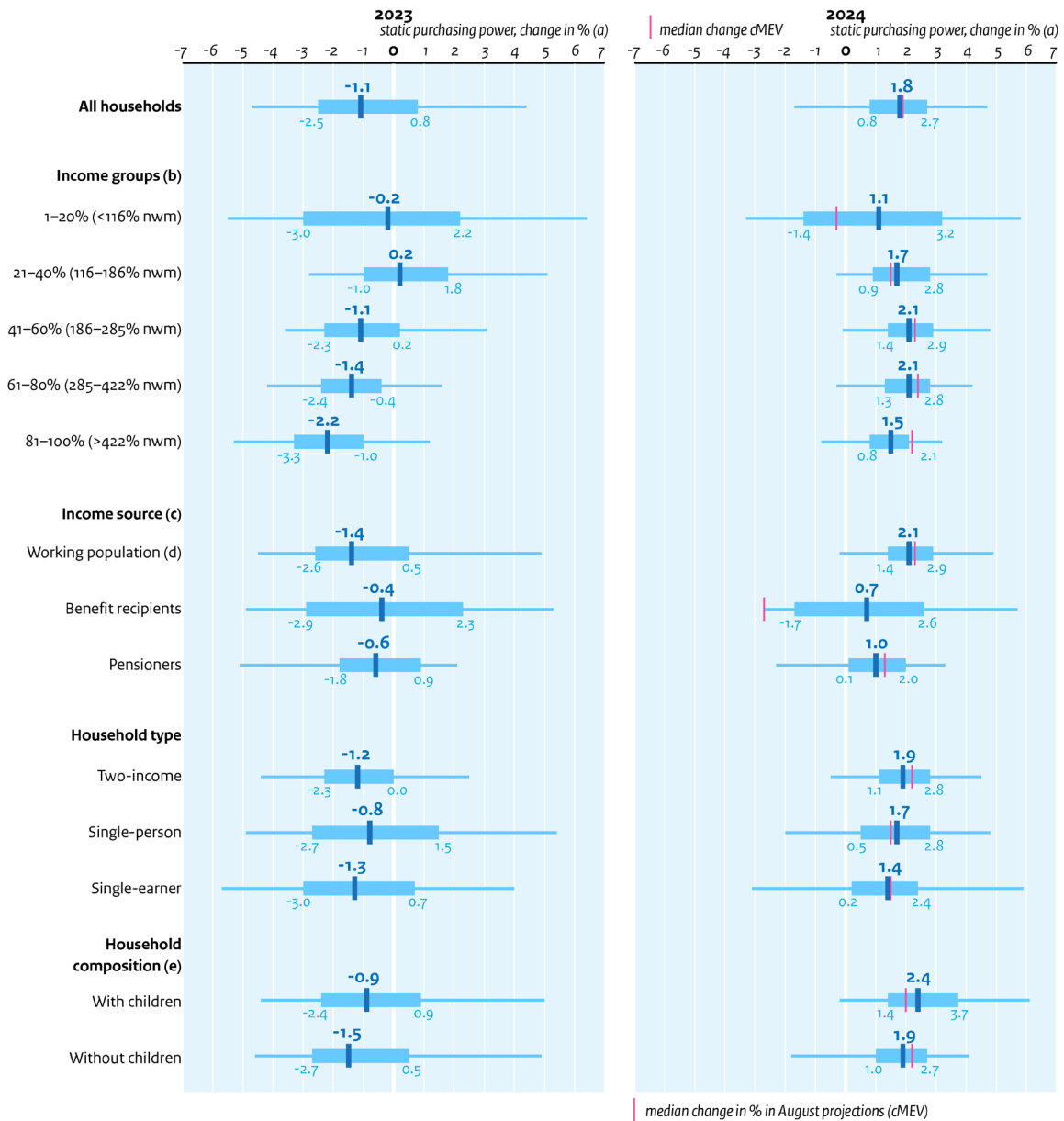
**An important consideration with regard to purchasing power is that this picture is based on a single inflation figure.** This may lead to a larger-than-normal distortion. Households may have perceived inflation differently. In 2022, the main cost rises were for energy, which makes up a larger part of consumption by lower-income households. The extent to which an energy shock affects individual households may also differ greatly, depending on their housing situation and energy contract. More recently, there have been increases in service and food prices. Lower-income households spend a relatively larger proportion of their income on both food and energy, whereas the reverse is true in the case of services. Furthermore, the purchasing power does not reflect the cost-of-living compensation paid to workers outside collectively negotiated wage rises, for example in the form of one-off benefit payments.

**The government deficit remains at 2.4% of GDP in 2024.** In addition to the purchasing power package and the associated funding, there are also increases in the financial burden, including Box 3 taxation, particularly to make up for lower estimated revenues from international corporation tax agreements and health insurance premiums. There is also an increase in defence expenditure. Expected revenues from the income tax have also been adjusted, leading to impacts of +€1.7 billion and +€3.2 billion in 2023 and 2024, respectively. Overall, the government deficit is unchanged compared to the cMEV.

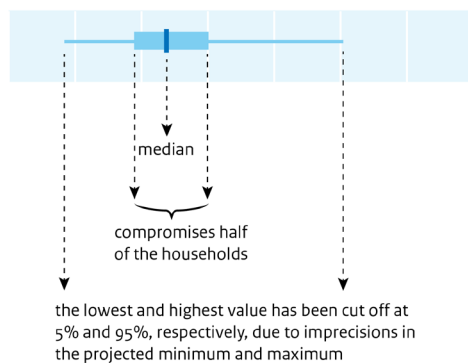
**Economic growth in 2024 is 0.1 percentage point higher due to higher public consumption and investment.** This includes the higher defence expenditure. Household consumption only rises to a limited extent, because alongside the income support measures there are also increases in the financial burden. Economic growth in 2024 amounts to 1.5%. Inflation is unchanged, because the increases in excise duties are too small to have a visible effect on inflation.

**The medium-term projection in the cMEV remains the baseline for Charted Choices.** The decisions adopted in August (cMEV) are not included in the baseline for calculating the economic consequences of the election programmes, as stated earlier in the first communication on Charted Choices. Two adjustments have nevertheless been made to the baseline. The adjustment to the income tax has a minor structural impact. Adjustments have also been made to the revenues received by the Dutch government from the European emission trading system for buildings and road transport (ETS-BRT). In the adjusted projections for 2028, the EMU balance is -3.6% of GDP, the structural EMU balance is -3.0% of GDP and the debt ratio is 53.0% of GDP.

**Figure 1 Median purchasing power increases for all income groups in 2024**



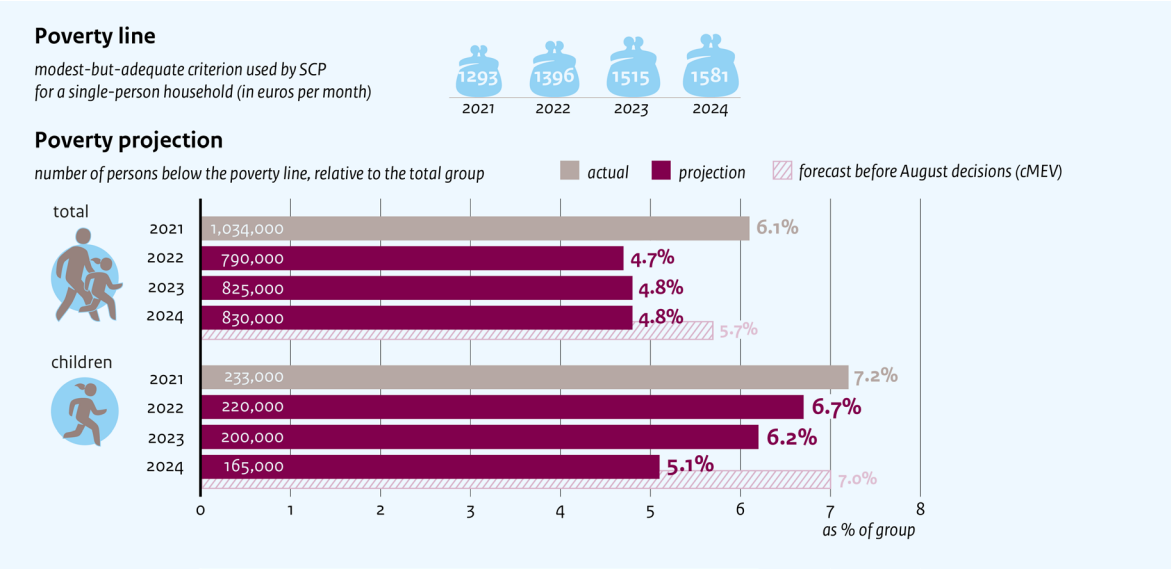
#### How to read the table?



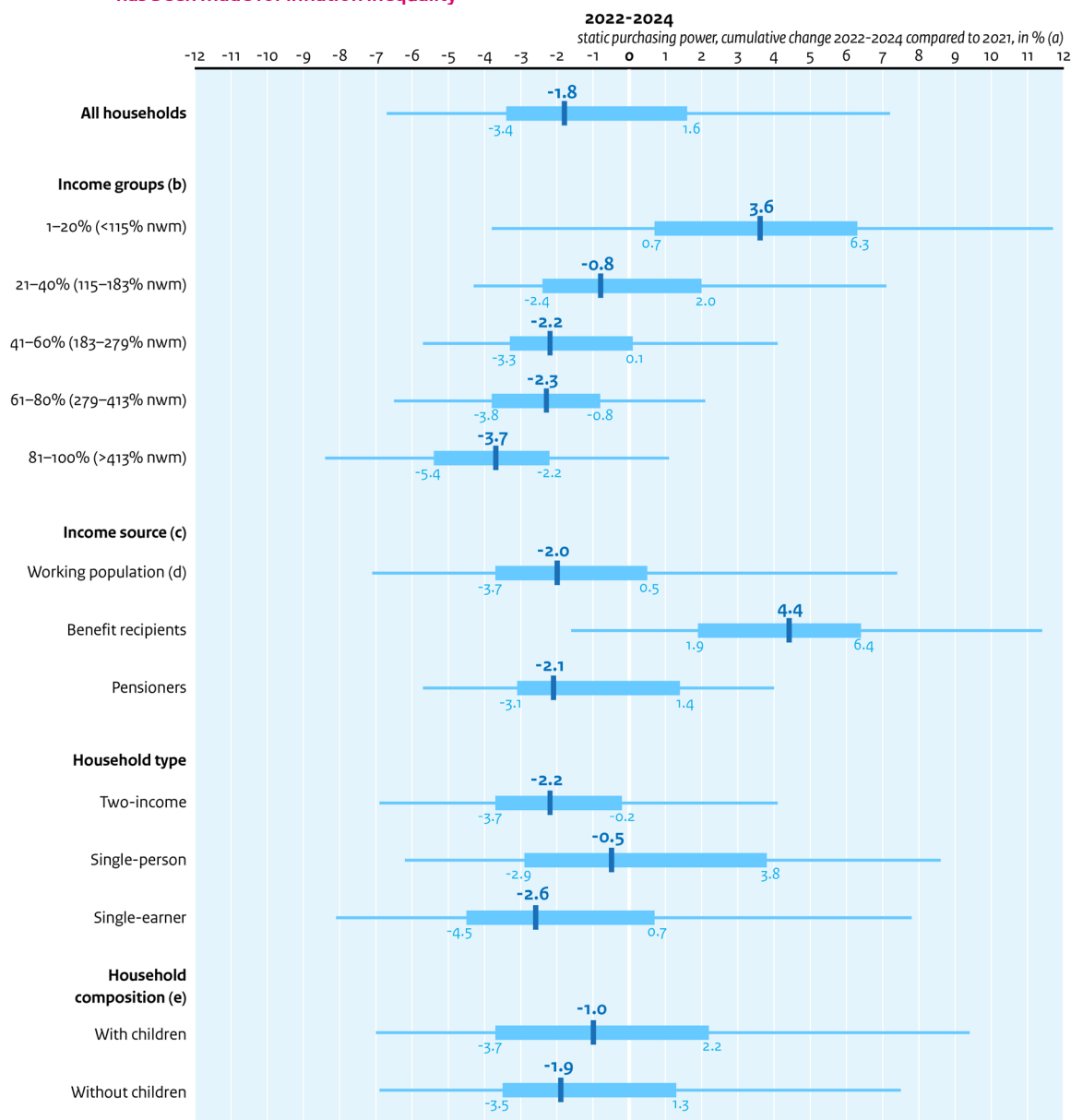
The 'median' is the middle value of a series of figures, ordered from low to high. A median purchasing power development of 1.3% for all households means that, for half of them, purchasing power development will be 1.3% or less, while, for the other half, it will be 1.3% or more. For half of the households, purchasing power development will be within the blue bar, with one quarter below and one quarter above the median. For the other half, purchasing power development will be outside this range. The box plot's whiskers show the lowest and highest development in purchasing power.

- (a) Not including incidental changes in income.
- (b) Gross labour income or welfare benefits on household level; the national minimum wage (nwm) in 2021 is around 25,463 euros. Income groups have been divided into five groups of equal size in ascending order of income, each containing 20% of all households.
- (c) The categorisation according to source of income is based on the highest income source per household, with households of which the main income is derived from investments or products having been categorised under the employed. Households on early retirement income or student grants as their main source of income have been excluded.
- (d) Changes in purchasing power for the employed do not include incidental wage changes, such as bonuses received or lost.
- (e) The categorisation according to household composition is based on the presence of children of up to eighteen years and excludes pensioner households.

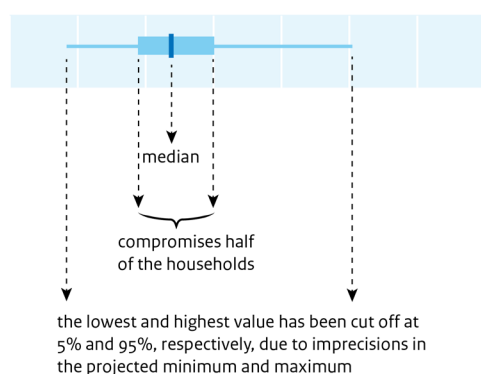
Figure 2 Child poverty in particular is lower than in the cMEV



**Figure 3 Cumulative picture of purchasing power shows a wide dispersion among income groups, but no adjustment has been made for inflation inequality**



#### How to read the table?



The 'median' is the middle value of a series of figures, ordered from low to high. A median purchasing power development of 1.3% for all households means that, for half of them, purchasing power development will be 1.3% or less, while, for the other half, it will be 1.3% or more. For half of the households, purchasing power development will be within the blue bar, with one quarter below and one quarter above the median. For the other half, purchasing power development will be outside this range. The box plot's whiskers show the lowest and highest development in purchasing power.

- (a) Not including incidental changes in income.
- (b) Gross labour income or welfare benefits on household level; the national minimum wage (nwm) in 2023 is around €25,463. Income groups have been divided into five groups of equal size in ascending order of income, each containing 20% of all households.
- (c) The categorisation according to source of income is based on the highest income source per household, with households of which the main income is derived from investments or products having been categorised under the employed. Households on early retirement income or student grants as their main source of income have been excluded.
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**Table 1.1 Main data for the Netherlands, 2019-2024**

	2019	2020	2021	2022	2023	2024
changes per year in %						
<b>International economy</b>						
Relevant world trade volume, goods and services	4.1	-8.7	8.5	8.4	0.2	2.9
Competitor prices (a)	3.6	-0.8	5.9	8.8	3.4	2.5
Oil price (in USD per barrel)	64.3	41.8	70.7	100.8	79.3	76.3
Euro exchange rate (in USD per euro)	1.12	1.14	1.18	1.05	1.09	1.11
Long-term interest rate, the Netherlands (in %)	-0.1	-0.4	-0.3	1.4	2.8	2.8
<b>Volume of GDP and spending</b>						
Gross domestic product (GDP, economic growth)	2.0	-3.9	6.2	4.3	0.7	1.5
Household consumption	0.9	-6.4	4.3	6.6	0.6	2.4
Public consumption	2.8	1.6	5.0	1.6	2.4	3.1
Investments (including stocks)	7.7	-6.3	4.7	1.0	2.8	0.3
Exports of goods and services	2.0	-4.3	8.0	4.5	0.8	1.5
Imports of goods and services	3.2	-4.8	6.2	3.8	1.9	2.1
<b>Prices, wages, purchasing power and poverty</b>						
Price level, gross domestic product	3.0	1.9	2.9	5.5	6.6	3.3
Export prices of goods and services	0.4	-2.9	8.8	17.4	1.0	3.4
Import prices of goods and services	-0.2	-3.6	10.0	20.7	-0.3	3.5
Inflation, national consumer price index (CPI)	2.6	1.3	2.7	10.0	3.9	3.8
Alternative CPI (purchasing power and poverty data) (b)	2.6	1.3	2.1	6.8	7.8	3.6
Inflation, harmonised index of consumer prices (HICP)	2.7	1.1	2.8	11.6	4.1	3.9
Wage rate, business sector (per hour) (c)	2.6	7.9	0.0	3.7	6.8	5.8
Contract wages, business sector	2.4	2.8	2.2	3.1	5.8	5.6
Purchasing power, static, median all households (d)	1.1	2.5	0.9	-2.7	-1.1	1.8
People in poverty (in %) (d, e)	5.9	5.6	6.1	4.7	4.8	4.8
<b>Labour market</b>						
Labour force	1.5	0.4	0.9	2.4	1.9	0.9
Active labour force	2.0	0.0	1.5	3.2	1.8	0.5
Unemployed labour force (x thousand persons)	423	465	408	350	360	405
Unemployment rate (% of the labour force)	4.4	4.9	4.2	3.5	3.6	4.0
Employment (in hours)	2.6	-4.0	3.3	3.9	1.2	0.6
<b>Other items</b>						
Labour income share, business sector (in %)	73.9	76.3	72.9	71.5	70.6	71.5
Labour productivity, business sector (per hour)	-0.5	-0.1	4.0	1.0	-0.9	0.8
Private savings (in % of disposable income) (f)	5.2	12.8	11.2	7.6	7.9	8.4
Current account balance (in % of GDP)	6.9	5.1	12.1	9.2	9.1	8.5
in % of GDP						
<b>Public sector</b>						
EMU balance	1.8	-3.7	-2.3	-0.1	-1.5	-2.4
EMU debt (year-end)	48.6	54.7	51.7	50.1	47.7	46.9
Public financial burden	39.3	39.9	39.2	38.6	38.8	38.7
Gross public expenditure	42.5	48.2	46.5	43.7	44.1	44.9

(a) Goods and services, excluding natural resources and fuels.

(b) The alternative CPI takes account of prices of both new and existing energy contracts. See subsection 1.4 of 'Centraal-Economisch-Plan-CEP-2023-Verdieping' ([link](#)) for further details of the alternative CPI series and see Statistics Netherlands ([link](#)).

(c) The NOW wage cost subsidy and the continuity contribution in health care have a 3.3 percentage point upward impact on businesses' wage rate changes in 2020 and a downward impact of 1.6 percentage points in 2021 and 2022.

(d) The figures for median purchasing power and people in poverty are based on the alternative CPI.

(e) Ratio of the number of persons in households below the poverty line to the total number of persons. The modest-but-adequate criterion used by the Netherlands Institute for Social Research (SCP) has been adopted as the poverty line.

(f) Level; disposable household income includes public savings.