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INFLATION AND COUNTER-INFLATIONARY POLICY MEASURES:

THE CASE OF THE NETHERLANDS

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ABSTRACT

Dutch inflation has risen steeply recently, despite unprecedented cuts in energy taxes and VAT, to a record high of 17% in September 2022. Energy has been by far the major driver of the inflation surge, but inflation has been broadening in 2022, with food price rises above 10% since July and core inflation at 6.0% in September. There is a sizeable difference between income groups regarding the impact of inflation. In September, Dutch inflation exceeded that of the euro area by 7%-point. This is however for a considerable part due to differences in the way gas and electricity prices are measured. The year-on-year increase of negotiated wages was up to 3.6% in September 2022. However, with the pick-up of nominal wages substantially lagging that of consumer prices, real wages are dropping at a record speed. The corporate mark-up is relatively stable. Government has taken substantial measures to cushion households and companies from the effects of high inflation, with budgetary costs of 1.0% of GDP in 2022 and 3.4% in 2023. In 2022, the main measures were cuts in energy taxes, but an energy allowance of 1300 euros for low income groups was also introduced. In 2023, by far the main measure will be an energy price cap. The government deficit may rise from 1.1% of GDP in 2022 to close to 4% of GDP in 2023. The cost of living crisis has not lead to formal talks about a social pact. This is in contrast with the economic crisis in the 1980s, which led to the Wassenaar Agreement.

[1] Formerly CPB Netherlands Bureau for Economic Policy Analysis and Economics Department of the OECD.

INFLATION AND COUNTER-INFLATIONARY POLICY MEASURES: THE CASE OF THE NETHERLANDS

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Abstract

Dutch inflation has risen steeply recently, despite unprecedented cuts in energy taxes and VAT, to a record high of 17% in September 2022. Energy has been by far the major driver of the inflation surge, but inflation has been broadening in 2022, with food price rises above 10% since July and core inflation at 6.0% in September. There is a sizeable difference between income groups regarding the impact of inflation. In September, Dutch inflation exceeded that of the euro area by 7%-point. This is however for a considerable part due to differences in the way gas and electricity prices are measured. The year-on-year increase of negotiated wages was up to 3.6% in September 2022. However, with the pick-up of nominal wages substantially lagging that of consumer prices, real wages are dropping at a record speed. The corporate mark-up is relatively stable. Government has taken substantial measures to cushion households and companies from the effects of high inflation, with budgetary costs of 1.0% of GDP in 2022 and 3.4% in 2023. In 2022, the main measures were cuts in energy taxes, but an energy allowance of 1300 euros for low income groups was also introduced. In 2023, by far the main measure will be an energy price cap. The government deficit may rise from 1.1% of GDP in 2022 to close to 4% of GDP in 2023. The cost of living crisis has not lead to formal talks about a social pact. This is in contrast with the economic crisis in the 1980s, which led to the Wassenaar Agreement.

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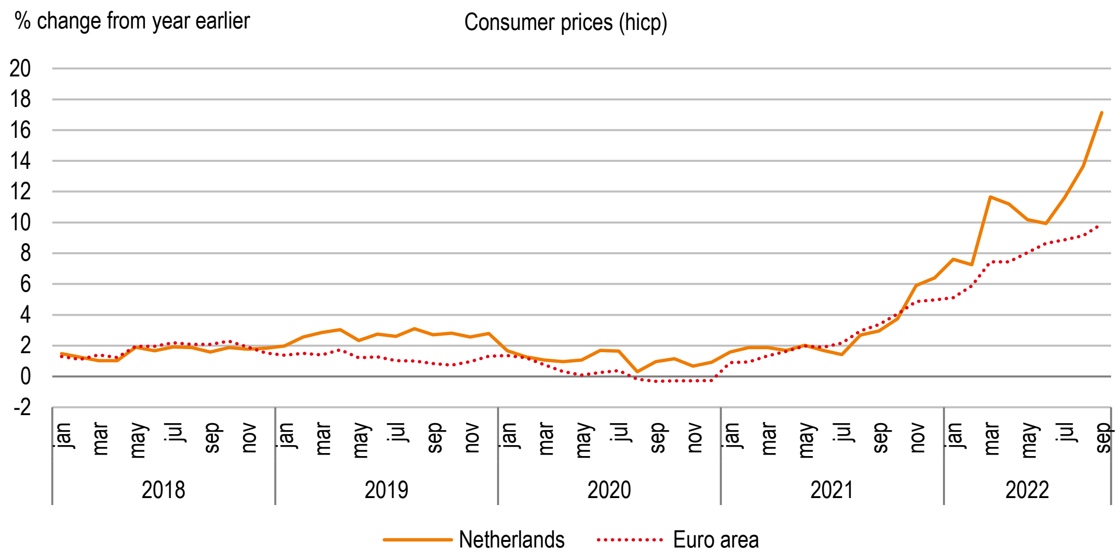
Recent price developments in the Netherlands

Due to the covid recession, consumer price inflation fell from 2.8% in December 2019 to 0.3% in August 2020 (Figure 1). Inflation is measured by the year-on-year change in the harmonised consumer price index (HICP). Falling energy prices, down 10%, were the dominant component in the softening of overall inflation.

The global recovery from mid-2020 onwards led to a rebound in energy and other commodity prices and thus to a swift pick-up in Dutch inflation. Pandemic-related supply chain disruptions contributed to this pick-up as well. Excess demand on good markets due to the shift from consumption of services to goods may also have played a role. Inflation started to exceed 2% in August 2021. The war in Ukraine has exacerbated the problem and in March 2022 inflation reached a double-digit rate. In September 2022, inflation reached 17.1%, a record high for the HICP-series starting in 1997. On basis of the national consumer price index, inflation was, at 14.5%, the highest in the post Second World War period. Those records are despite the unprecedented size of fiscal measures taken to moderate inflation pressures. In September, the temporary cut in energy taxes and VAT on energy dampened inflation by 2.6%-points.

Figure 1: Inflation in the Netherlands, 2018-2022

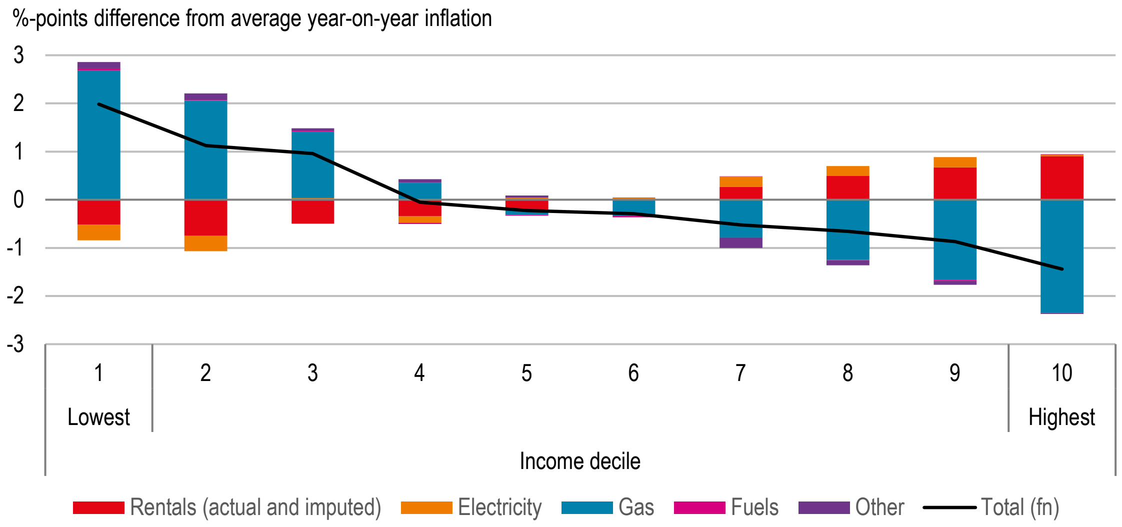


Source: Eurostat

On the real side of the economy, the covid recession was less severe than elsewhere in the euro area and the recovery was steeper. Real GDP was in the second quarter of 2020 in the Netherlands 9.2% lower than in the fourth quarter of 2019 before the pandemic, a comparable drop with Germany (-10.8%) but smaller than the average drop in the euro area (-14.8%). Slightly bigger support measures, somewhat less covid-related restrictions and a beneficial sectoral composition (less tourism and manufacturing) played a role in this somewhat smaller drop in GDP (CPB, 2021). The rebound was steeper than elsewhere. In the second quarter of 2022, real GDP was up 5.6% from the level in the fourth quarter of 2019, compared with no rise in Germany and a rise of 1.8% in the euro area. Pandemic-related supply chain disruption played a smaller role than elsewhere as the economy is more service oriented and the car industry is much smaller than for instance in Germany. Moreover, support measures were continued in the Netherlands up to early 2022. As a result, unemployment dropped to a record low (3.2% of the labour force in April 2022) and demand strengthened.

Energy has been by far the major driver of the inflation surge. In September 2022, the direct contribution of energy price rises to the overall price rise was 10.4%-points. However, inflation has been broadening during 2022 and is seeping into core inflation. Food inflation surpassed 4% year-on-year in January 2022 and was in August at a record high of 10.8%, softening marginally to 10.5% in September. The steep rise in Dutch food prices reflects global food commodity prices and is partly driven by higher prices of energy and fertilisers. Core inflation surpassed 4% year-on-year in May and was in September at a record high of 6.5%. Prices of both goods and services were up, prompted by demand pressures in some sectors and the end to the rent freeze. In July 2021, rents of social housing had been frozen for a year as a support measure during the covid-crisis. As a result, total rent rises dropped from 2.9% year-on-year in July 2020 to 0.8% in July 2021. In July 2022, rent rises (with a weight of 9% in the HICP-index) were back to 3.0%.

Figure 2: Inflation differentials in the Netherlands between income groups, September 2022



Footnote: Inflation excluding the impact of the temporary cut in tuition fees in September 2021 – August 2022

Source: Own calculation on the basis of data of Statistics Netherlands (CBS)

Statistics Netherlands (CBS) does not publish inflation by income group. But using their 2020 household survey, inflation by income groups can be estimated on the basis of the detailed inflation numbers by expenditure class. The share of gas in total consumption is much higher for low-income groups. So, given exploding gas prices, it is no surprise that inflation for low-income groups exceeds that for high-income groups. Focus is preferably on the second and ninth decile, as the first and tenth decile may be distorted by peculiarities (such as high share of students in first decile). In September, inflation in the second income decile (second lowest) was 1.1%-points above average, while that of the nineth income decile (second highest) was 0,9%-points below (See Figure 2). Such a difference is relevant as low-income groups have much fewer liquid assets to cushion the effects of an unexpected fall in real income. Liquid buffers are less than 4 months' income for 61% of households in the second income decile, compared to 19% of households in the ninth income decile. (AFM, 2020).

Table 1: Key data on inflation and wage increases in the Netherlands

			Netherlands	Euro area
Annual inflation HICP	All-items	Sept.	17.1	**9.9**
	Food, alcohol & tobacco	Sept.	10.5	11.8
	Energy	Sept.	113.8	40.7
	Core	Sept.	6.5	4.8
Annual wage rise	Negotiated	Q2	2.9	2.4

Source: Statistics Netherlands (CBS), Eurostat and ECB

Benchmarking Dutch inflation vis-à-vis the euro area average is currently problematic as the harmonised consumer price index (HICP) is not very harmonised with regard to gas and electricity prices (CBS, 2022a). Statistics Netherlands is using the price development of new energy contracts for its consumer price indices, while many households have fixed-term contracts and are therefore experiencing price rises with a delay (or not at all if price rises are very temporary). The approach of Statistics Netherlands leads currently to a substantial exaggeration of the inflation encountered by households. At the end of October, Statistics Netherlands published first preliminary consumer prices based on changes in existing energy contracts (CBS, 2022b). In August, the year-on-year price rise of gas was 34.0 - 96.5% instead of 170.5% as in the official price index based on new contracts. The price rise for electricity was 24.4 - 92.8% instead of 149.6%. And the total consumer price rise was 7.5 - 9.6% instead of 12%, much closer to the euro area average of 9.1%.

Some other euro area countries (for example Belgium) are also using prices of new contracts in their consumer price index, but in other countries the basis is price changes in the existing contract of households. The latter is more in the spirit of the Eurostat manual on the harmonised consumer price index (Eurostat, 2018). The Dutch central bank has stressed that the difference in inflation between the Netherlands and the euro area was affected by diverging methods used to measure energy inflation (DNB, 2022). In September, Dutch inflation exceeded the euro area average by 7.2%-points (Table 1 and Figure 1).

This statistical problem hampers assessing the role other factors are playing. There is not yet a price cap for gas and electricity in the Netherlands, unlike for instance in France. Another relevant factor is relatively high gas consumption by Dutch households. The share of gas in the current consumption basket is 4% in the Netherlands vis-à-vis 2% on average in the euro area. This makes a difference for overall inflation when gas prices are up 229%, as they were in September in the Netherlands. There is no difference in the use of fuels for personal transport equipment; their share in the Netherlands and in the euro area is 4%.

As there are no major statistical problems, benchmarking can be done for food price inflation and core inflation. In September, core inflation was slightly higher than on average in the euro area while food price changes were slightly lower (Table 1). The differences were however not stable in recent months.

An alternative measure to benchmark the Dutch inflation performance is the deflator of private consumption. While on the basis of the harmonised consumer price index Dutch inflation was 2.4%-points above the euro area average in the second quarter of 2022, it was 0.6%-points lower on the basis of the private consumption deflator.

These are challenging times to forecast inflation. All forecasters had to make this year record upward revisions in their inflation forecasts. Uncertainty remains huge on the Russian war in Ukraine, the future development of energy prices and whether or not the euro area will enter a recession, and, if so, how deep this recession will be. In September, CPB Netherlands Bureau for Economic Policy Analysis (CPB) projected a drop in inflation (measured by the harmonised consumer price index, annual averages) from 11,4% in 2022 to 2.5% in 2023 (CPB, 2022) (Table 2). This would make the inflation surge in 2021/22 highly transitory. The forecast is based on the technical assumptions of a drop in the crude oil price from 105 to 90 dollar per barrel and a drop in the gas price (TTF) from 137 to 131 euro per mWh. Negotiated wage increases in the private sector are projected to accelerate from 2.9% in 2022 to 3.7% in 2023 (Table 2). The CPB forecast does not include the energy price cap in 2023 and was finalised before the strong consumer price rise in August and September. On the basis of inflation numbers up to September and taking into account the energy price cap, Rabo research is projecting inflation of 4.0% in 2023.

Table 2: Main features of country forecast: the Netherlands, 2022-2023

	2021	2022	2023
Inflation (HICP)	2.8	11.4	2.5
Negotiated wages, private sector	2.2	2.9	3.7
Purchasing power, median all households	0.3	-6.8	3.9
People in poverty (level in %)	5.7	6.7	4.9
Children in poverty (level in %)	7.2	9.2	6.7
GDP-volume	4.9	4.6	1.5
Unemployment rate (% of the labour force)	4.2	3.4	3.9
General government budget balance (% GDP)	-2.6	-1.1	-2.5

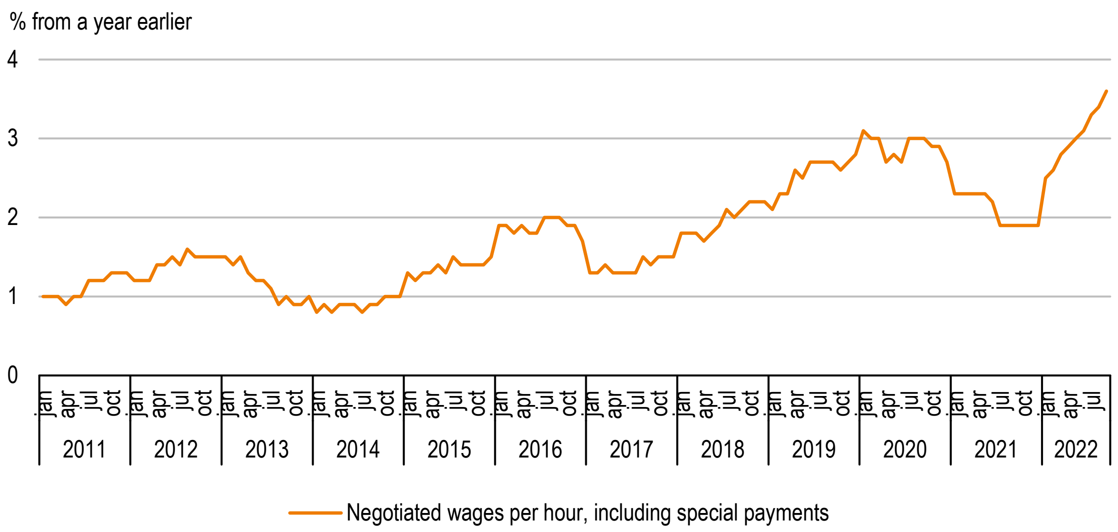
Source: CPB (September 2022 forecast; the projection was finalised before the announcement of the energy price cap in 2023 and the publication of the steep price rises in August and September)

Recent wage developments in the Netherlands

Wage increases are clearly up recently. The year-on-year increase of negotiated wages was 1.9% in December 2021 and was up to 3.6% in September 2022. Wages rises were strongest in the government sector (4.9%), with a rise of 7% for teachers. Negotiated wage increases are currently slightly higher than in euro area (in the second quarter 2.9% vis-à-vis 2.4%) while the unemployment rate is substantially lower (3.3% vis-à-vis

6.1%). In the light of the very low unemployment rate, nominal wages are rising moderately up to now. The pick-up in negotiated wage rises substantially lag that of consumer prices. In real terms, on the basis of the national consumer price index (CPI), negotiated wages dropped 9.6% year-on-year in September. Real negotiated wages have been falling since August 2021.

Figure 3: Negotiated wages in the Netherlands, 2011-2022



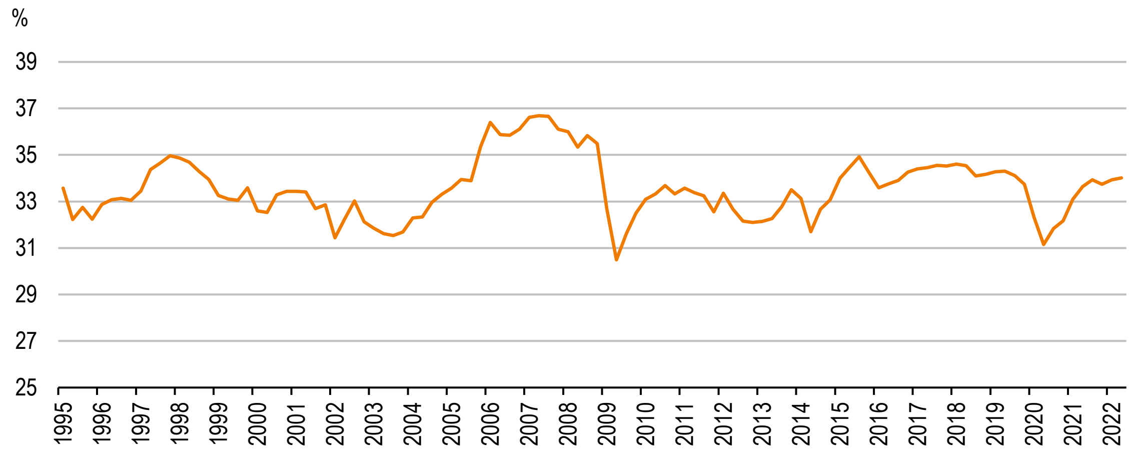
Source: Statistics Netherlands (CBS)

Standard statistics on negotiated wages mentioned above are of a backward-looking nature, providing information on wage increases from a year ago. There is in the Netherlands also information on the wage increases in the coming twelve months based on new wage agreements reached in a month. This prospective wage rise has risen from 1.8% in January 2021 to 4.4% in September 2022. Recently, after rare strikes, a deal with even a steeper wage rise was reached for the national railways Nederlandse Spoorwegen. After those railway strikes, smooth negotiations have led to a steep rise in negotiated wages in the metal and electro industry (9% in one year and a halve) and a one-off wage supplement of 1000 euros on top of the negotiated wages for employees of public transport in Rotterdam.

Compensation per hour worked is a broader wage indicator than negotiated wages as it also includes the impact of promotions (but also of shifts in the composition of the workforce). This indicator is currently still distorted by the “NOW” job retention scheme during the pandemic. In the second quarter of 2022, compensation per hour worked rose 3.1% year-on-year.

There are many press reports on steep profit rises of big multinational firms in the Netherlands. There are, however, no signs of a substantial rise in the corporate mark-up in published national accounts data. The net operating surplus of companies was 34% of net domestic product at factor costs in the second quarter of 2022, up from the covid-dip of 31% in the second quarter of 2020 but equal to the share in 2019 (Figure 4). In the past steep rises in import prices led to a drop in the corporate mark-up. One could see the absence of such a drop in the current situation as an indication of increased market power of firms due to tight product market conditions.

Figure 4: Profit share in the Netherlands, 1995-2022

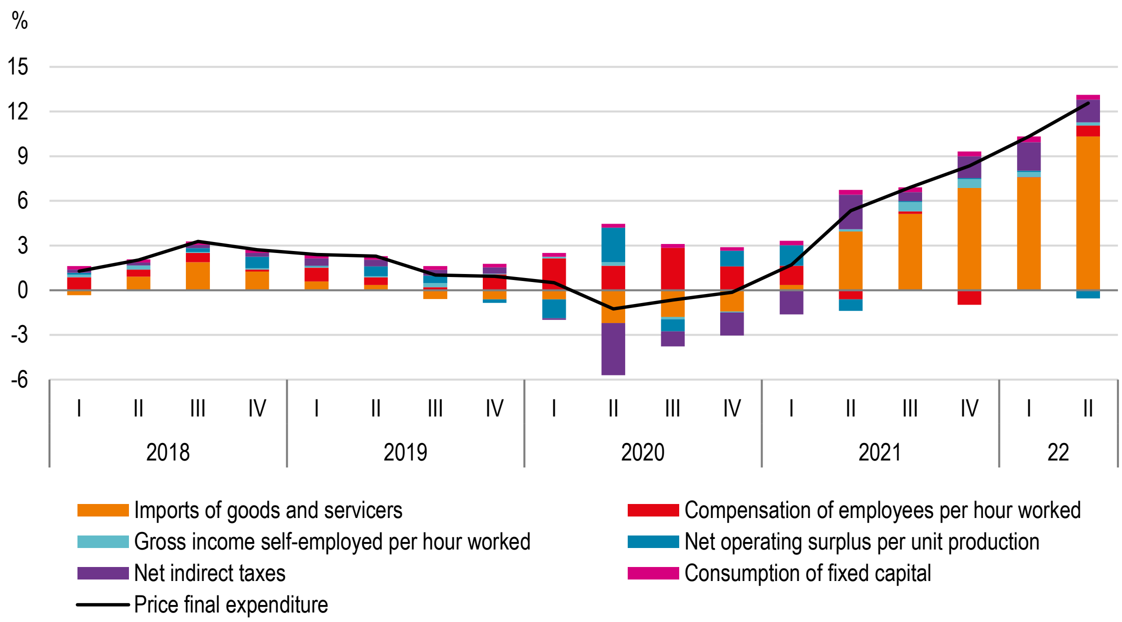


Footnote: Profit share is net operating surplus (including surplus self-employed) as a percentage of net gross domestic product at factor costs.

Source: Own calculation based on data Statistics Netherlands (CBS)

The absence of a rise in the corporate mark-up is confirmed by decomposition of the price rise of total expenditures (sum of consumption, investment and exports). Prices of total expenditure were up 12.6% in the second quarter from a year earlier. The net operating surplus of firms excluding self-employed had a negative contribution of 0.6%-point (Figure 5). The contribution of import prices was 10.3%-points. So, inflation is almost completely driven by imports. Second-round effects in the form of profit mark-ups and labour costs are not seen yet.

Figure 5: Role of imports, wages and profits in current inflation in the Netherlands



Source: Own calculation based on data Statistics Netherlands (CBS)

Government measures taken

The long negotiations needed to draw up the coalition agreement may have delayed government measures to limit price rises and cushion their effects on households and companies. After the general elections in March 2021, it took 299 days to form a new government in January 2022. The new government has a slim majority in the House of Representatives and a minority position in the Senate. As a consequence, it has to make concessions to get major laws agreed in the Senate.

In October 2021, the caretaker government decided to lower the tax on electricity from January 2022 until December 2022. The average impact on household disposable income was estimated at 400 euros per year. The budgetary costs were estimated at 2.7 billion euros for the tax cut for households and 0.5 billion euros for the tax cuts for companies (Table 3). Furthermore 150 million euros were made available to municipalities to support insulation measures for vulnerable households with a high energy bill. In December 2021, the caretaker government announced a temporary one-off energy allowance of 200 euros per year for low-income households up to 20% above the social minimum income. Municipalities implement this measure. A considerable number of municipalities provide the allowance also to households with somewhat higher income (up to 30% or 50% above the social minimum income), with a negative impact on their budget. In 2022, gross social minimum income was 1800 euros per month (the median of gross income of employees was 4300 euro). Approximately a fifth of households has an income up to 20% above the social minimum.

In March 2022 the one-off energy allowance was raised to 800 euros. Moreover, it was decided to reduce excise duty on petrol and diesel by 21% from April until the end of the year. The government also decided to lower the rate of value-added tax (VAT) on energy from 21% to 9% from July till the end of the year. The budgetary costs of this package were estimated at 2.8 billion euro, partly financed by additional non-tax gas revenues due to the high gas price.

In July 2022, the government raised the one-off energy allowance for low-income households from 800 to 1300 euros per year, at an additional budgetary cost of 0.5 billion euros. Opposition parties have repeatedly called for additional measures in 2022 but government stressed it was impossible to implement new tax and social benefit measures in the course of the year. Unfilled vacancies and outdated IT prevent quick implementation by the tax authorities and by other bodies like the employed persons’ s insurance administration agency (UWV).

In October 2022, as an additional measures for 2022, the government introduced a subsidy for households and small firms of 190 euro per month to lower their energy bills in November and December. The subsidy is paid to energy companies who will lower the energy bill of customers in those two months. Budgetary costs are 2.6 billion euros. As a result, the total budgetary costs of the cost-of-living measures in 2022 are now 9.5 billion euros (1.0% of GDP). Municipalities are allowed to pay 500 euros of the 2023 one-off energy allowance already in 2022.

After the adjustments in September and October, the draft 2023 budget contains a package of measures totalling 34 billion euros (3.4% of GDP) to cushion the effect of high inflation on households and companies (Ministerie van Financiën, 2022a and 2022b). The adjustments made to the original draft budget are substantial. It is rare such substantial adjustments are made after publishing the draft budget. The government proposes to deploy the one-off energy allowance of 1300 euros for low-income households in 2023 as well, with budgetary costs of 1.4 billion euros (Table 3). The reduction of excise duties on petrol and diesel will be continued until June 2023, with budgetary costs of 1.2 billion euros. The minimum wage will be raised by 10% in 2023, an earlier and somewhat larger increase than envisaged in the Coalition Agreement. The state pension (AOW) and work-related benefits will rise in parallel, a concession made to the opposition in the Senate. The net budgetary effect of the minimum wage measure is 2.7 billion euros. Several allowances of low and middle-income groups (healthcare allowance, child-based budget, rent allowance) will also be increased more than they would have automatically based on current laws, with a budgetary cost of 3.0 billion euros. Income tax will be lowered by 1.2 billion euros, more than envisaged in the Coalition Agreement.

The cabinet has proposed to introduce a price cap on energy in January 2023 and to discontinue the cut in energy taxes. The price cap is for gas and electricity use up to a maximum; on consumption above this maximum the market price has to be paid. Consumption of 1200m3 gas and 2900Kwh electricity will be under the price cap. This would mean that for at least half of the households all gas and electricity consumption will be covered by the cap. The price cap of gas will be 1.45 euro per m3 and of electricity 0.40 euro per Kwh (including energy tax and VAT). This is respectively 56% and 44% below the price of new contracts in September 2022. Assuming market prices in 2023 equal to those of September 2022, the budgetary cost will be 20.9 billion euros. Moreover, it means that government instead of households will bear the burden of an unexpected further rise in world energy prices, as they would automatically increase the budgetary costs of the measure.

In October 2022, the government announced a support measure for energy-intensive small and medium-sized companies (Ministerie van Economische Zaken en Klimaat, 2022). The support scheme applies to companies with energy costs of at least 12.5% of turnover, annual consumption of at least 5 thousand m3 of gas or 50 thousand kWh of electricity and fewer than 250 employees. Half of the extra energy costs will be subsidised up to a maximum of 160 thousand euros (62 thousand for agricultural companies); subsidies will be based on threshold prices of 1.19 euros per m3 gas and 0.35 euros per kWh. The support measure will run from November 2022 to December 2023. The budgetary costs can be up to 3.1 billion euros. The government expects several tens of thousands of companies to apply for this subsidy scheme. In addition, the price cap for small energy consumers already means support for at least 250,000 small companies. The support scheme is in line with temporary crisis framework broadened by the European Commission.

The relief measures are only partly financed by higher non-tax gas revenues of oil and gas extractions due to higher gas prices (12 billion euros), a windfall tax on firms extracting oil and gas (2 billion euros) and an increase in the corporate tax rate in the first bracket from 15% to 19% (1.5 billion euros).

There is no official projection of the government budget balance including the impact of the energy price cap and the support scheme for energy-intensive SMEs. Excluding those two measures and excluding the further rise of energy prices in August and September, CPB projected in September a government deficit of 2.5% of GDP in 2023 (Table 2). The ex-ante impact of the measures announced since then and of the further rise in energy prices can be tentatively estimated at 1.2% of GDP, bringing the deficit close to 4% of GDP.

The current package is in billion euros already equal to the labour costs subsidies and other subsidies during the covid-crisis. The current package will certainly not be the final 2023 package to shield consumers and companies from high energy prices. The budget plans could be amended in Parliament. Energy packages agreed by EU countries could alter the Dutch package. Unexpected developments in energy supply could also lead to new government measures.

Table 3: Budgetary costs of relief packages in the Netherlands, 2022-2023

(in billions of euros)	2022	2023
Cut energy taxes	3.2	0
Cut excise duties energy	1.0	1.2
Cut VAT energy	1.1	0
Energy price cap (1)	0.0	20.9
Cut energy costs November and December	2.6	0.0
Cut income tax	0	1.2
Cut in taxes of self-employed	0	0.3
One-off energy allowance	1.2	1.4
Additional rise other allowances	0.0	3.0
10% rise in minimum wage (incl. impact benefits)	0.0	2.7
Fund on late payments and poverty	0.0	0.1
Support to energy-intensive SMEs (1)	0.0	3.1
Additional energy saving measures	0.3	0.2
Total	9.5	34.1
(in % GDP)	1.0	3.4

On the assumption of energy prices in 2023 equal to September 2022.

Source: Own calculations based on measures taken and announced up to mid-October 2022

In September on the basis of the draft budget, CPB projected a drop in the purchasing power of households of 6.8% in 2022 year-on-year, followed by a rise of 3.9% in 2023. The cap on energy prices is not included in this projection (and neither is the unexpected strong price rise in September). As purchasing power is calculated with the consumer price index on the basis of new energy gas contracts, the drop in 2022 is exaggerated while the rise in 2023 is too optimistic. It is preferable to take the two years together. In

2022-2023, purchasing power is projected to drop 3.2%. This is comparable to the drop of 3.1% in 2012-2013 and smaller than the drop of 5.7% in 1982-1983. The fall in purchasing power is strongest for high-income households. The drop in the fifth quintile is 5.0%, while there is even a rise of 1.7% for the first quintile. Policy measures are therefore having a not insubstantial redistributive effect, even after taking into account the higher inflation for low-income groups.

CPB projected in August, before the additional measures were taken, a rise in people in poverty from 6.7% in 2022 to 7.6% in 2023 and a rise in child poverty from 9.2% to 9.5%. As a result of the additional measures in the draft budget (excluding the energy price cap), adult poverty is projected to fall to 4.9% in 2023, even below the 5.7% in 2021 (Table 2). Child poverty is projected to fall to 6.7%, even below the 7.2% in 2021.

On top of the measures described above to relief households and firms, measures were taken to prevent gas shortages during the coming winter. The cabinet withdrew the production restriction for coal-fired power stations for 2022 up to 2024 with immediate effect. Coal-fired power stations can produce at full capacity again, reducing production of electricity by gas-fired power stations and cutting the risk of gas shortages. Moreover, the government took measures to encourage companies to fill gas storage facilities. With a guarantee scheme, the difference between the current gas prices and the gas prices next winter will be reimbursed. In addition, the cabinet ordered state-owned company Energie Beheer Nederland (EBN) to fill the Bergermeer gas storage facility to at least 70% of its capacity, insofar as companies do not do so despite the scheme. The costs of the measure, estimated at 0.6 billion euros will be recovered via an additional levy from gas users who benefit from filling the gas storage facilities. The measures have contributed to strong gas storage: mid-October 93% of total storage capacity was filled.

Reactions by social partners

At the start of the 2022 wage round, the main demands of FNV, the major trade union confederation, were the reintroduction of automatic price compensation in the collective wage agreements, a flat-rate wage increase of 100 euro per month and a rise in minimum salaries to 14 euro per hour (FNV, 2021). After the 1980s most automatic price compensation clauses have disappeared from wage agreements. In 2021 only 4 of the 80 major wage agreements had automatic price compensation, including the agreements of port workers and house painters (Ministerie van Sociale Zaken en Werkgelegenheid, 2022). Success in reintroducing automatic price compensation is limited this year. However, record tight labour markets have led to clearly higher agreed wage rises, as described above. This was accompanied by somewhat bigger wage rises of low-paid workers and more wage agreements with flat one-off payments. For instance, the wage agreement for railway workers includes a one-off payment of 1000 euros in 2022 and 1000 euros in 2023.

The cost of living crisis has not lead to formal talks about a social pact. This is in contrast with the economic crisis in the 1980s, which led to the Wassenaar Agreement on wage moderation and a cut in hours worked. It is also in contrast with the frequent (in some stages almost weekly) contacts between social partners and the government during the covid-pandemic. Press reports have mentioned informal talks earlier this year on a central wage deal with an additional 5% wage increase and no further rise in the tax burden of companies. These informal talks have however not led to a tri-partite agreement.

In September 2022, at the start of the 2023 wage round, the FNV's main demands were a wage rise at least in line with the year-on-year price rise in October 2022 (currently estimated at 12%) and the reintroduction of automatic price compensation in collective wage agreements (FNV, 2022). Prime minister Mark Rutte has called such a wage rise impossible. CNV, the second largest union peak organisation, has called for a wage rise in 2023 of 5 to 10% and is in favour of terminating existing wage agreements due to the steep price rise. On the other hand, academic hospitals want to renegotiate the current wage agreement with its automatic price compensation as the steep rise in inflation was unforeseen at the time of the agreement. Not unexpectedly, the trade union representing hospital workers wants to stick to the agreement.

Table 4: Summary table of measures

Measure		Remark
Energy tax cut	☑	In 2022, not in 2023
Gasoline tax cut	☑	In 2022 and first half 2023
VAT tax cut	☑	In 2022 (only cut in VAT on energy), not in 2023
Retail price control	☑	In 2023, price cap gas and electricity up to a ceiling; above ceiling no price control
Wholesale price control		
State-owned company mandate		
Windfall profits tax	☑	Only for companies extracting oil and gas
Transfers to (vulnerable) households	☑	1300 euros in 2022 and in 2023; moreover extra rise in several other allowances for low- and middle-income groups
Transfers to (vulnerable) firms	☑	From November 2022 onwards a transfer to energy intensive SMEs
Unilateral wage policy/guideline		
Bi- or tripartite agreement social pact		
Other measures :		
Minimum wage	☑	10% in January 2023, with feedthrough in benefits linked to minimum wage (such as state pension AOW).
Measures to prevent gas shortage during the winter	☑	Guarantees for gas storage facilities

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