

**Focus**

From an international perspective, the Netherlands is a very equal country. Both income inequality and wealth inequality is relatively low. The Gini coefficient, the measure of income and wealth inequality, shows that the Netherlands is doing relatively well. However, the prolonged period of high inflation in the Netherlands has brought the discussion of wealth inequality to the fore again. Why does inflation increase inequality, what are its effects and what steps can be taken to cushion the impact on inequality?

The very high inflation rates of the past year affect everyone, but people with lower incomes and little or no wealth are hit especially hard. Rising energy prices are making life relatively more expensive for them. Gas has become about twice as expensive compared to the end of 2020. In addition, the 20% of the population with the lowest incomes already spend around 13% of their income on energy costs. In the current economic climate, characterised by high inflation and wages that do not rise proportionally to inflation, a decrease in purchasing power for many is inevitable.

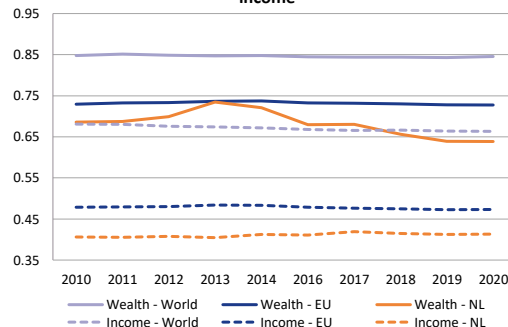
In the Netherlands, the gap between the very rich and the majority of the population is relatively low in international terms. Still, the combined wealth of the 2,100 richest Dutchmen is greater than that of the 10 million poorest Dutchmen. These less well-off households have mainly debts and few assets. The difference in wealth between the richest and the middle groups in the Netherlands has narrowed somewhat in recent years, as many Dutch people are benefiting from higher house prices. Poorer renters, on the other hand, saw the gap with homeowners widen. For them, it is even more difficult to get a house to buy.

Politicians in The Hague and leading economists generally agree that skewed growth needs to be addressed. How and with which instruments this should be tackled is, however, a recurring point of discussion. Two options that are already gaining a lot of support are to let wages rise with inflation and to tax companies more fairly. Poverty Minister Carola Schouten recently called on companies to investigate whether wages could be increased. Following this, Prime Minister Mark Rutte called for 'generosity'. The current situation in the Netherlands is that a large part of the profit goes to the top of the company and employees benefit little or not at all.

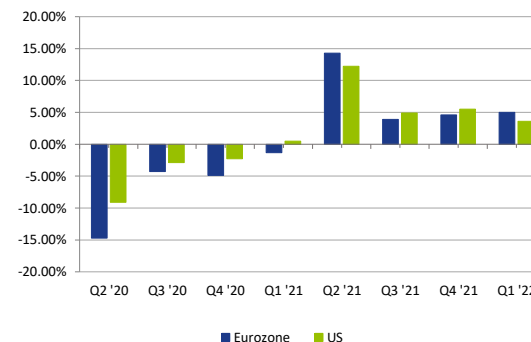
It is also suggested that large assets should be taxed more fairly and that the inheritance tax in the Netherlands should be increased. The Organisation for Economic Co-operation and Development (OECD) states that increasing the tax on inheritances and gifts is an effective means of reducing wealth inequality. Currently, it is virtually impossible for wealthier households to pass on their wealth to future generations. It is important to note that small inheritances and gifts are exempt up to a certain level.

Growing inequality and a more important role for wealth have economic and social (undesirable) consequences. Those with few or even negative assets as a result of debts are extra vulnerable financially. Therefore, inequality of opportunity is an issue. The economic research agency SEO shows that inequality of opportunity mainly concerns education, income, work, health and the place where someone grows up. Here, wealth plays an increasingly important role as an independent force, providing a financial advantage that people can use to maintain an advantage over the rest. Structural economic changes are therefore necessary in the near future in order to curb the growth of imbalances in the Netherlands. A crucial task for politicians is to take steps towards more equality and a more broadly shared prosperity for all Dutch people.

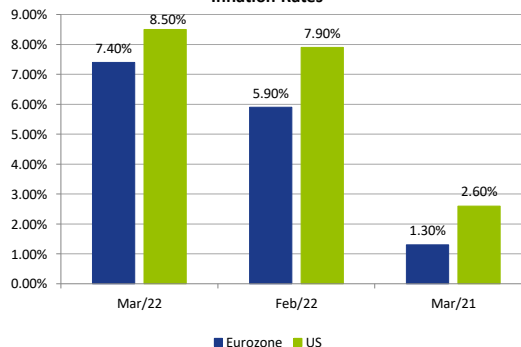
**Gini coefficients of personal wealth and pre-tax income**



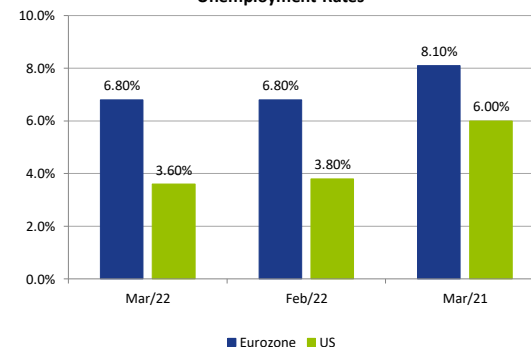
**GDP Growth (YoY)**



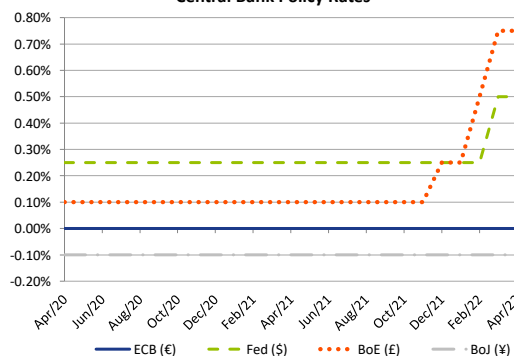
**Inflation Rates**



**Unemployment Rates**



**Central Bank Policy Rates**



Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa3	AA-
Russia	NR	NR	NR
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

**Review & preview**

The GDP of the United States shrank by 1.4% in the first quarter of this year compared to the first quarter of 2021. This was revealed in the first estimate by the US Department of Commerce. According to the Department, the causes are increased imports, decreased exports and increased inflation. The year-on-year inflation rate at the end of the first quarter was 7.8%, compared to 7.0% at the end of the last quarter of 2021.

The price of a barrel of West Texas Intermediate was 4.4% higher at the end of April than at the end of March, marking the fifth consecutive month that WTI became more expensive. Oil prices are largely driven by the ongoing conflict in Ukraine, with limited supplies from Russia restricted by EU sanctions and others. The United States indicated in early April that it would tap into national oil reserves and release 1 million barrels per day in an attempt to bring down oil prices. In addition, the lockdowns instituted in Shanghai and Beijing in connection with the coronavirus have depressed oil prices.

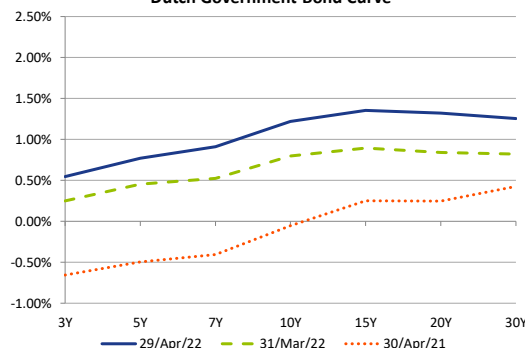
The IMF expects that stagflation may occur in Asia. This is caused by rising commodity prices and declining trade with European trading partners due to the ongoing conflict between Russia and Ukraine. In addition, China's declining economy is adding to the pressure on regional growth.

European Central Bank Vice-Chairman Luis de Guindos said that a rate hike in July was possible. De Guindos also said he sees no reason why the bond-buying programme cannot end in July. This statement followed the news that the President of the Central Bank of Latvia, Martins Kazaks, also foresaw an interest rate increase in July.

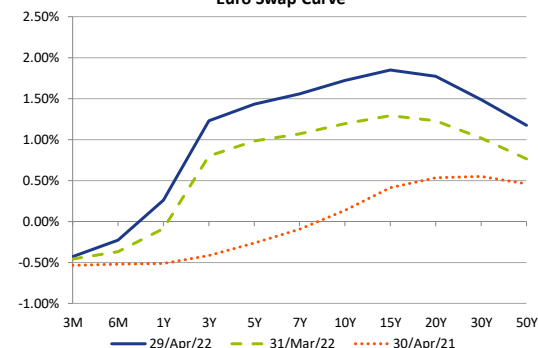
**Agenda**

- 5 May Interest rate decision United Kingdom
- 6 May Unemployment United States
- 11 May Inflation Netherlands
- 11 May Inflation United States
- 12 May Economic growth United Kingdom
- 17 May Unemployment United Kingdom
- 17 May Economic growth Netherlands
- 18 May Inflation United Kingdom
- 18 May Inflation Eurozone

**Dutch Government Bond Curve**



**Euro Swap Curve**



Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa2	A+
ING Bank	A+	A1	AA-
ABN AMRO	A	A1	A
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	A-	A2	BBB+
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A1	A+
Credit Suisse Int.	A+	A1	A

Currencies	29/Apr/22	31/Mar/22	30/Apr/21
EUR/USD	1.055	1.107	1.202
EUR/GBP	0.839	0.842	0.870
EUR/CHF	1.026	1.021	1.098
EUR/JPY	136.950	134.665	131.405
EUR/DKK	7.440	7.438	7.436
EUR/SEK	10.360	10.399	10.173
EUR/CAD	1.354	1.384	1.477
EUR/AUD	1.493	1.479	1.557
EUR/CNY	6.969	7.017	7.783

**Yields 10Y Government Bonds**

