

### Overview

The economy recorded a relatively solid performance in Q4, with GDP growth rising 0.3% on a quarterly basis, up from 0.1% in Q3. Total GDP growth was 2.0% in 2015, which was the strongest performance since 2007. Some parts of the economy are still struggling to build momentum, but medium term growth prospects are relatively healthy.

### Household consumption has stagnated

Despite the boost to households' incomes from healthy employment growth, cheaper oil prices and low inflation, consumer spending has stagnated in recent quarters. This weakness appears to have continued in Q1 2016, with retail sales falling 1.8% year on year in January. Nevertheless, there are a number of positive factors, which should encourage higher spending by households as the year progresses. The ILO unemployment rate reached a three-year low of 6.7% at the end of 2015 and employment growth is expected to remain healthy. A total of €5 bn in income tax cuts and higher tax credits take effect in April, which will help boost incomes and confidence.

### Normalisation in investment and exports

Business investment made a significant contribution to GDP growth in H2 2015, which was partly due to new tax rules encouraging companies to bring forward capital spending before the year end. The short term outlook for the sector is more challenging, however, with firms wary of the slowdown in demand from the eurozone and wider global economy and also the increased turmoil in financial markets. Investment growth is forecast to be 3.8% in 2016 - down from 10.3% in 2015 - and is expected to average 2.6% over the medium term. Export growth is expected to ease to 2.7% this year, from 4.3% in 2015.

### Outlook

GDP growth forecasts have been revised to 1.6% for 2016, following the slow start to the year. Growth is expected to remain stable at current levels over the medium term, averaging 1.9% per annum between 2017-19. This will be partly due to ongoing deleveraging by households, banks and the government, although this will make the economy less vulnerable to financial volatility over the longer term.

### MARKET INDICATORS

#### Market Outlook

GDP:	Weaker growth expected in 2016, with some parts on the economy struggling to gain traction.	▼
Inflation:	Rising very slowly in 2016, as domestic demand pressures are expected to remain relatively modest.	▼
Interest rate:	The ECB continues to pursue ultra-loose monetary policy and may cut interest rates further.	▲
Employment:	Employment growth is expected to remain steady in 2016, despite waning business confidence.	▼

#### Economic Summary

ECONOMIC INDICATORS	2013	2014	2015 <sup>E</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>
GDP Growth	-0.4	1.0	2.0	1.6	1.9
Consumer Spending	-1.4	0.0	1.5	1.6	2.0
Industrial Production	0.5	-2.9	-3.6	0.7	1.7
Investment	-4.5	3.5	10.3	3.8	3.4
Unemployment rate (ILO%)	7.3	7.4	6.9	6.5	6.6
Inflation	2.5	1.0	0.6	0.5	1.6
USD/EUR (average)	1.28	1.33	1.33	1.11	1.07
USD/EUR (end-period)	1.32	1.38	1.21	1.09	1.05
Interest Rates: 3-month (%)	0.3	0.1	-0.1	-0.3	-0.2
Interest Rates: 10-year (%)	2.2	0.7	0.8	0.5	1.2

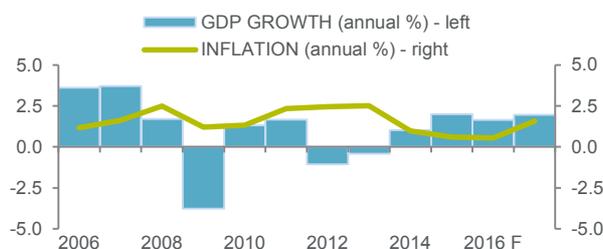
NOTE: \*annual % growth rate unless otherwise indicated. E estimate F forecast

Source: Oxford Economics Ltd. and Consensus Economics Inc

#### Economic & Political Breakdown

Population	16.9 million (2015)
GDP	US\$ 753.0 billion (2015)
Public Sector Balance	-1.8% of GDP (2015)
Public Sector Debt	65.1% of GDP (2015)
Current Account Balance	9.1% of GDP (2015)
Parliament	Centrist "grand coalition" of the People's Party for Freedom and Democracy and the Labour Party
Head of state	King Willem-Alexander
Prime minister	Mark Rutte
Election Dates	March 2017 (General Election)

#### Economic Activity



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