

# THE NETHERLANDS Economic Snapshot

Second Quarter | 2016



## Overview

The Dutch economy expanded at its fastest pace in a year in Q1, with growth of 0.5%, compared with 0.2% in Q4 2015. The recovery is becoming more balanced, with all components of domestic demand rising over the quarter, while net exports recorded their strongest performance since Q2 2014. This positive momentum carried over into the second quarter, with many leading economic indicators pointing to healthy underlying conditions. The Brexit vote has cast a cloud over future growth prospects, however, while it has also heightened political risk and EU skepticism.

## Rebound in consumer spending

Having stagnated in the second half of 2015, household confidence and spending levels are once again on the rise, with private consumption increasing by 0.5% in Q1. Several factors are supportive of growth, including strengthening labour market conditions, negligible inflation and favourable fiscal and monetary policies. Seasonally adjusted consumer confidence, as measured by Statistics Netherlands, hit a six month high in June. The ILO unemployment rate fell to 6.3% in May, which is the lowest level since November 2012.

## Steady growth in investment and exports

The investment sector had a positive H1 2016, with very strong activity being noted in the housing market, in particular. Fixed investment rose by 0.8% quarter on quarter in Q1 and this strong performance is expected to have continued in Q2, as companies benefit from favourable credit conditions and rising profitability. The producer confidence indicator for June - which measures manufacturers' sentiment - reached its highest level since March 2011, with businesses increasingly bullish about their order books and their future output.

## Brexit expected to weigh on growth from 2017

While the full implications of the UK's vote to leave the EU are yet unknown, the Dutch economy is one of the most exposed in the region to any economic downturn. Around 10% of its exports go to the UK, while the economy may also be hit by slower growth in the eurozone. Consequently, medium term growth forecasts have been revised down to average 1.6% per annum in 2017-2019.

## MARKET INDICATORS

### Market Outlook

GDP:	Softer growth over the medium term, mainly due to the potential downside effects of the Brexit vote.	▼
Inflation:	Marginal increase in 2016, but expected to accelerate from 2017 due to higher energy prices.	▼
Interest rate:	The ECB is expected to continue with its ultra-loose monetary policy and may cut interest rates further.	▲
Employment:	Employment growth is expected to remain steady, amid healthy business confidence.	▼

### Economic Summary

ECONOMIC INDICATORS	2013	2014	2015 <sup>E</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>
GDP Growth	-0.1	1.4	2.0	1.6	1.7
Consumer Spending	-1.0	0.3	1.8	1.5	1.8
Industrial Production	0.5	-2.8	-3.3	0.4	1.3
Investment	-4.3	2.3	9.9	4.6	2.0
Unemployment rate (ILO%)	7.3	7.4	6.9	6.3	6.4
Inflation	2.5	1.0	0.6	0.3	1.6
USD/EUR (average)	1.33	1.33	1.11	1.10	1.06
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	0.7	1.3

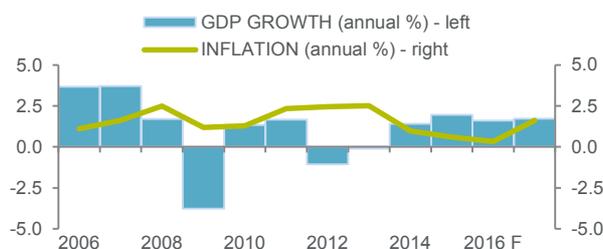
NOTE: \*annual % growth rate unless otherwise indicated. E estimate F forecast

Source: Oxford Economics Ltd. and Consensus Economics Inc

### Economic & Political Breakdown

Population	16.9 million (2015)
GDP	US\$ 750.7 billion (2015)
Public Sector Balance	-1.9% of GDP (2015)
Public Sector Debt	77.6% of GDP (2015)
Current Account Balance	8.6% 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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