

THE NETHERLANDS Economic Snapshot

Third Quarter | 2016



Steady growth continues

Economic activity held steady in Q2, rising 0.6% quarter-on-quarter and 2.3% year-on-year. However, recovery is becoming more unbalanced. Fixed investment is robust and expanded 2.2% over the quarter, but private consumption and export growth have been relatively subdued. The Netherlands was the only major economy in the eurozone which didn't see a slowdown in growth in Q2.

Forward looking investment indicators are positive

The investment sector continues to benefit from rising capacity utilisation, favourable credit conditions and healthy profit margins. Confidence indicators are positive, with the producer confidence indicator - which measures Dutch manufacturers' sentiment - jumping from 1.2 in August to 3.4 in September, according to the Central Bureau of Statistics (CBS). This indicates strong optimism among businesses over their order books and their future prospects. Producers in the textiles, clothes and leather industries are the most optimistic. Fixed investment is now forecast to increase by a robust 7.0% in 2016, before moderating over the medium term.

Prospects for private consumption less certain

Private consumption increased by only 0.2% in Q2 and the sector has struggled to build any sustained momentum over the last year. Consumer spending was expected to have been much stronger in 2016, given that inflationary pressures are subdued, confidence levels are significantly above the long-term average, while labour market conditions and real disposable incomes are strengthening. Nevertheless, consumer indicators towards the end of September have been more positive and spending growth is expected to pick up in the final quarter of 2016.

Brexit-linked uncertainties a key risk

GDP growth is forecast to be a steady 1.6% in 2016 and is expected to remain around these levels in the medium term. For now, it is difficult to ascertain the full implications of the UK's vote to leave the EU, but it has undoubtedly cast a shadow over the Netherlands future growth prospects. Furthermore, political risks and EU skepticism are on the rise ahead of the general elections in March 2017.

MARKET INDICATORS

Market Outlook

GDP:	Subdued consumption and export growth will weigh on GDP in 2016. Brexit-linked uncertainty a key risk.	▼
Inflation:	Inflation is expected gradually rise and is forecast to average 1.6% in 2017, as energy prices increase.	▼
Interest rate:	The ECB is committed to its ultra-loose monetary policy and further interest rate cuts are possible.	▲
Employment:	Job growth is expected to remain steady into 2017, with business confidence indicators positive.	▼

Economic Summary

ECONOMIC INDICATORS	2013	2014	2015	2016 ^F	2017 ^F
GDP Growth	-0.1	1.4	2.0	1.6	1.5
Consumer Spending	-1.0	0.3	1.8	1.3	1.3
Industrial Production	0.5	-2.8	-3.3	0.5	1.2
Investment	-4.3	2.3	9.9	7.0	3.2
Unemployment rate (ILO%)	8.9	9.0	8.7	7.5	7.2
Inflation	2.5	1.0	0.6	0.4	1.6
USD/EUR (average)	1.33	1.33	1.11	1.12	1.09
USD/EUR (end-period)	1.38	1.21	1.09	1.12	1.07
Interest Rates: 3-month (%)	0.6	0.2	0.1	0.0	0.0
Interest Rates: 10-year (%)	2.0	1.5	0.7	0.2	0.3

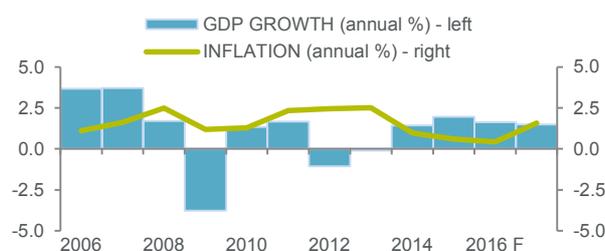
NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast

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	8.7% 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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