

Overview

The economy continued its fragile recovery in Q3 2015, with GDP expanding by just 0.1% over the quarter. Growth has been held back by weak consumer spending and weak export growth. Activity in Q4 appears to have been stronger, however, with retail sales volumes rising 2.8% y/y in October, while consumer confidence reached an eight year high in November. Business confidence indicators have also been more positive in recent months. As a result, GDP growth is expected to reach 1.9% in 2015, up from 1% growth in 2014.

Investment prospects improving

Business confidence has been rising as both domestic and external growth prospects improve and some firms are now showing greater appetite for capital spending and staff hiring. Investment growth was up 9.8% y/y in Q3 and is estimated to have been 5.2% for 2015 as a whole, the strongest annual performance since 2011.

Rebound in consumer spending

A number of factors have contributed to the improvement in consumer sentiment in recent months. Persistently low inflation is boosting growth in real wages and this, coupled with healthy job creation and the €5 bn tax cut, is contributing to the improvement in real household incomes. Confidence in the housing market has been steadily rising since August 2015, helped by low debt servicing costs due to the ECB's ultra-loose monetary policy stance.

Outlook

Dutch government bonds were awarded AAA status by S&P in November, reflecting the rating agency's renewed confidence in the underlying strength of the economic recovery and the country's much improved budgetary position, following large scale deleveraging by banks, households and the government. The consensus view is that domestic demand will strengthen in 2016 as a result of increases in real disposable incomes, employment and investment activity. Furthermore, while restrictions on the output of the Groningen gas field hit exports in 2015 and contributed to a negative net trade position, exports are forecast to benefit from stronger external demand in 2016. GDP growth is forecast to reach 2.1% in 2016 and average 2% in 2017-2019.

MARKET INDICATORS

Market Outlook

GDP:	Economic activity is expected to strengthen in 2016, helped by a greater contribution from consumers.	▼
Inflation:	Rising slowly throughout 2016, but still expected to average a relatively modest 1.3%.	▼
Interest rate:	On hold, with the ECB expected to continue with its current ultra-loose monetary policies.	▶
Employment:	Further growth expected as business confidence strengthens.	▼

Economic Summary

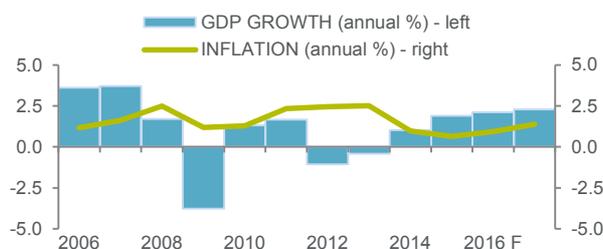
ECONOMIC INDICATORS	2012	2013	2014	2015 ^E	2016 ^F
GDP Growth	-1.1	-0.4	1.0	1.9	2.1
Consumer Spending	-1.2	-1.4	0.0	1.5	1.5
Industrial Production	-0.5	0.5	-2.9	-5.1	-0.8
Investment	-6.3	-4.5	3.5	7.0	0.8
Unemployment rate (ILO%)	5.8	7.3	7.4	6.9	6.9
Inflation	2.5	2.5	1.0	0.6	0.9
USD/EUR (average)	1.28	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 (%)	0.2	0.3	0.1	-0.1	-0.2
Interest Rates: 10-year (%)	1.5	2.2	0.7	0.8	1.4

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\$ 752.7 billion (2015)
Public Sector Balance	-1.9% of GDP (2015)
Public Sector Debt	80.9% of GDP (2015)
Current Account Balance	10.7% 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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