

10 January 2012

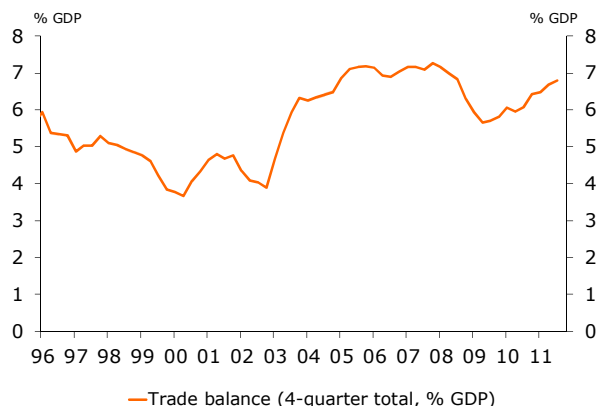
Recession inevitable

	2010	2011	2012
<i>Year-on-year change in %</i>			
Gross Domestic Product	1.8	1½	½
Private consumption	0.4	-¾	-¾
Government expenditures	1.5	½	-½
Private investment	-4.7	6¼	2¾
Exports of goods and services	10.9	4¾	3½
Imports of goods and services	10.5	4¾	2½
Consumer price index	1.3	2¼	2
Unemployment (% labour force)	5.5	5%	5%
Government budget (% GDP)	-5.4	-4%	-3½
Government debt (% GDP)	62.8	64%	65%
Current account balance (% GDP)	5.5	6	6½

Source: Statistics Netherland, Rabobank

After two years of growth the Dutch economy contracted once again in the third quarter of 2011. Leading indicators suggest that the economy was still at amber colour in the fourth quarter of 2011. Consumer confidence dropped below the trough reached during 2009, exports – the key growth driver so far – declined in October for the first time in two years and unemployment is back at the peak of January 2010. Whilst this recession is nowhere near as deep as in 2009 (provided that the euro crisis does not get out of hand) the wind chill factor might be lower for many people: whilst purchasing power is set to suffer in 2012, it was still rising in 2009.

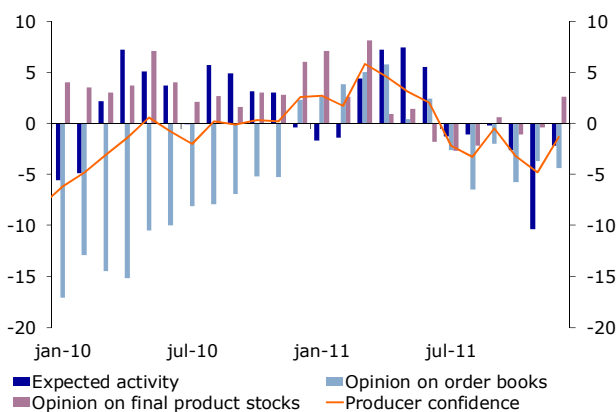
Trade balance increases



The volume of goods exports and imports were down by 1.6% y-o-y and 2.5% y-o-y, respectively, in October 2011. As regards the latter, in the period August-October, average growth was up on the previous three-month period. The volume of imports and exports have been on the rise since end-2009. Because imports declined faster in October than the exports, net trade did contribute positively to economic growth. As a result, the trade balance improved. It reached 6.8% of GDP in the third quarter of 2011. In the first three quarters of 2011 the trade surplus was on average 13% higher than the year before.

Source: DNB

Mood among producers is erratic



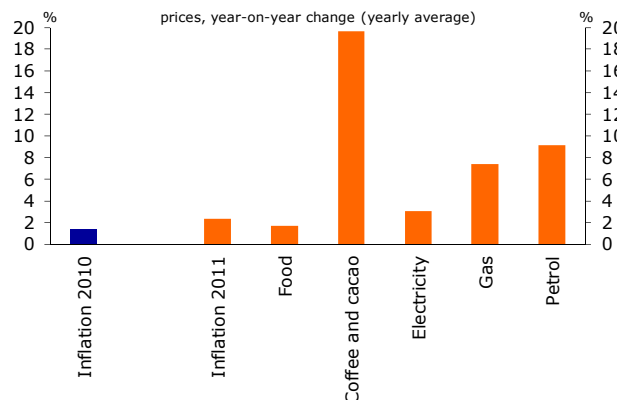
Source: Statistics Netherlands

Producer confidence improved from -4.8 in November to -1.3 in December. Producers were particularly less negative about the expected activity over the next three months. In the first half of 2011, producer confidence was still above zero, indicating that the majority of producers were optimistic about the outlook. Confidence has been waning since April and producer confidence fluctuated between 0 and -5 in 11H2. Producers are, therefore, expecting a decline in industrial production in the near future. But they are not nearly as pessimistic as they were in 2009. Producer confidence stood at -23.5 back then. Consumers have taken a much more gloomy view: the confidence indicator dropped below the trough of 2009 in December.

Economic Update The Netherlands

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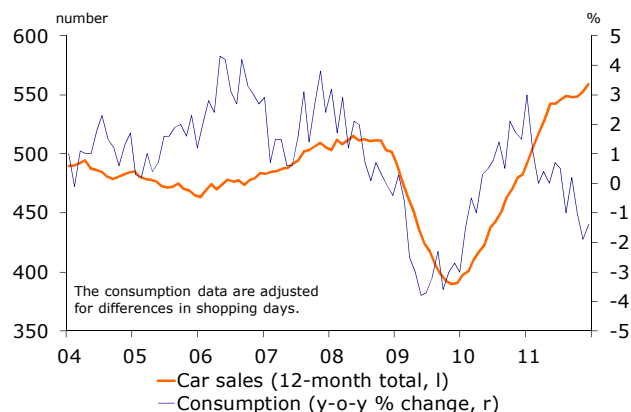
Inflation drops in December



Dutch inflation decreased from 2.6% in November to 2.4% in December. Inflation averaged 2.3% in 2011, compared to 1.3% in 2010. Inflation was lower in December mainly because the price increase of petrol was lower in December than in November. In December 2011, a litre of petrol cost 3.4% more at the gas station compared to the same period one year before. In November, the price increase amounted to 7.4%. Food, electricity and gas also contributed to the average price level increase in 2011. Coffee, considered an essential good amongst Dutch households, was remarkably more expensive in supermarkets in 2011 relative to 2010.

Source: Statistics Netherlands

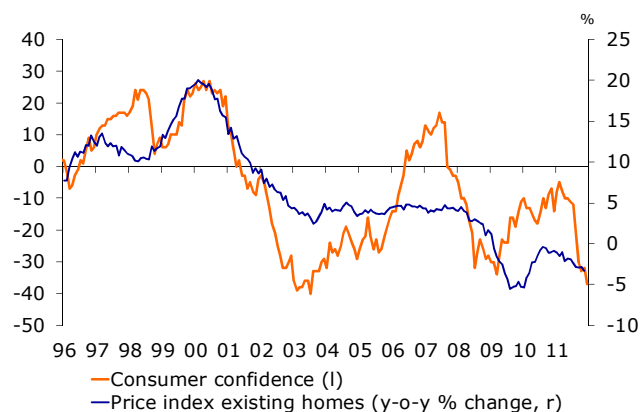
Run on fuel-efficient cars



Consumption is suffering from the lack of confidence amongst Dutch consumers. In October, the volume of consumption was down by 1.4% y-o-y. Due to mild weather conditions, gas consumption dropped considerably. Consumer spending on durable goods was also much lower in October. Car dealers however experienced a peak year. 555,920 new – mostly fuel-efficient – cars were registered in 2011, the highest number since 2003. Buyers of fuel-efficient cars paid no purchase tax and less road tax in 2011. These tax breaks are reduced this year. 52.4% more new cars were registered in December 2011 relative to the same month one year before. Consumption growth could therefore turn out better-than-expected in December.

Source: Statistics Netherlands, BOVAG

No housing-market boost



The transfer tax reduction from 6% to 2% in July 2011 did not lead to a surge in housing transactions. In November, 9,494 homes were sold, 5.8% less than the same period in 2010. The number of transactions also declined by 5% in October. The data recorded by CBS have a lag of about 2-3 months. But the hoped-for housing market boost failed to materialise in October and November. Also, prices continued to decline. The price index of existing homes fell by 3.3% y-o-y in November. The euro crisis and continuing uncertainty concerning the housing market and pensions is putting a drag on consumer confidence. Dutch consumers are far more pessimistic about the economy than those in many other hard-hit European countries.

Source: Statistics Netherlands

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