



2 August 2011

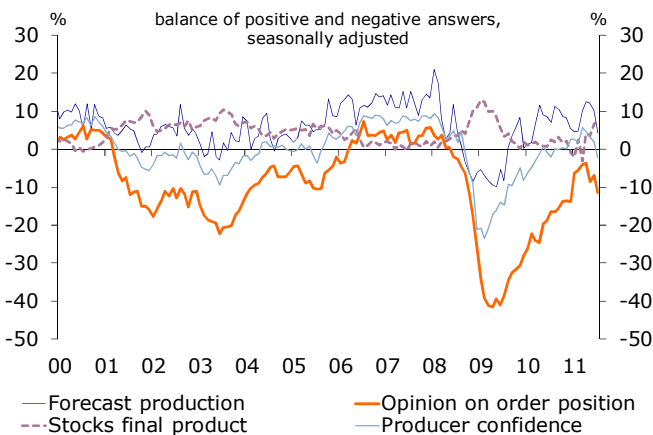
Prepare for landing

	2010	2011	2012
<i>Year-on-year change in %</i>			
Gross Domestic Product	1.7	2	1¾
Private consumption	0.4	¼	½
Government expenditures	1.0	0	-½
Private investment	-4.4	3	3¾
Exports of goods and services	10.8	6¾	4½
Imports of goods and services	10.6	4¾	3¾
Consumer price index	1.3	2	1¾
Unemployment (% labour force)	5.5	5	5
Government budget (% GDP)	-5.4	-3½	-2¼
Government debt (% GDP)	62.7	65½	66
Current account balance (% GDP)	5.5	6½	7

Source: Statistics Netherlands, Rabobank

Every creature needs a name. The same is true for the growth slowdown in the economy which we have witnessed in recent months. But economists are not yet in agreement about what to call this phenomenon. Is it a *soft patch* – a temporary slowing of growth within a prolonged rising trend? Or a *double dip*? In the case of the Netherlands we opt for *soft landing*. In the fourth quarter of 2010 and the first quarter of 2011 the real economy grew at an average pace of 2.6% compared to a year earlier. This is well above trend growth, which was about 2% in the years before the economic crisis. So it should not come as a surprise that the recovery eases off somewhat, as is the case now.

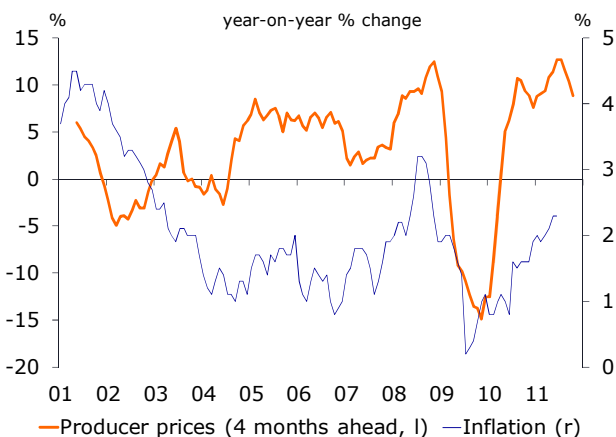
Producers' hang their heads



Source: Statistics Netherlands

Sentiment among producers was distinctly less optimistic in July than in the preceding months. The confidence indicator recorded a score of -2.2. Such a convincing majority of pessimists has not been seen since a year ago. The survey was conducted in early July, when an agreement between EU leaders on the Greek bailout had not yet been reached. This presumably affected the mood concerning expected production. Producers were also much more negative about their order positions than in June. Moreover, they now anticipate a decline in employment, whereas in June they still expected to be able to hire more staff.

Producer prices lower again



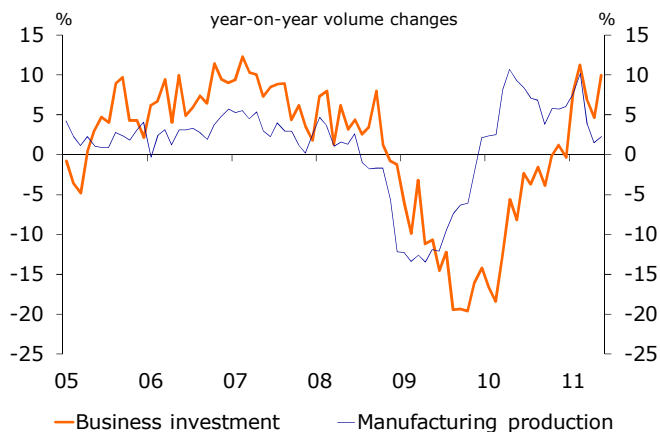
Source: Statistics Netherlands

Although in June producer prices were nearly 9% higher than a year earlier, for the second successive month they showed a m-o-m price drop. In June the drop was almost 1%. Producer prices are an indicator of consumer price inflation development; however, it is not always possible to (directly) pass on price rises to consumers. In the second half of 2011, inflation is likely to decline gradually, as the upward effect of rising energy and food prices slowly abates. At the time of writing, the inflation figure for the month of July was not yet released; however, preliminary Eurostat estimates put Eurozone inflation at 2.5% - a drop of 0.2%-point from the previous month.

Economic Update The Netherlands

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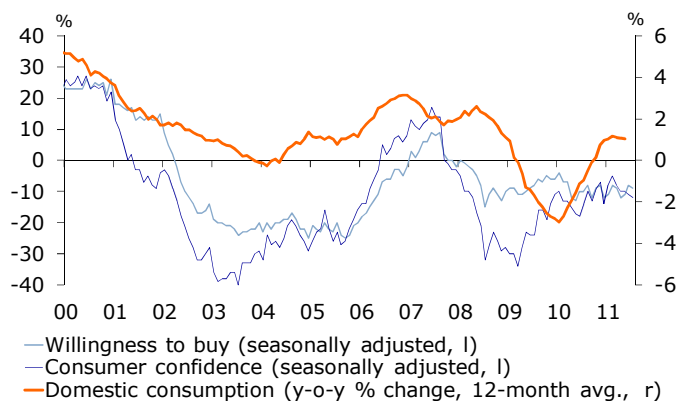
Appetite for investment returning



Source: Statistics Netherlands

The global growth slowdown is most evident in the Netherlands in the level of output and exports. Although both of these rose over 2% year-on-year in May, the increase was well down on previous months. In May the volume of corporate investment rose again: by 10% on the year before. Following the unprecedented drop in investment in 2009 and 2010, many companies are feeling the need to expand production capacity or replace existing production means. At the same time, capacity utilisation is still on the low side, at 80.9% in July.

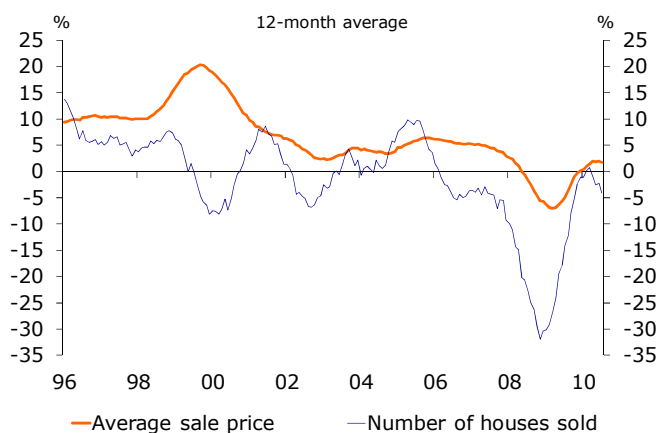
Still waiting for the consumer



Source: Statistics Netherlands

Although companies are increasing their spending, the same cannot be said of consumers. In May consumers spent only 0.3% more than a year earlier. Once again, consumption figures were influenced by the weather. In May the weather was warmer than usual, whereas it had been colder than average during the same month last year. That meant people were spending less on energy than they did a year ago. More money was spent this May on other goods and services, including durable goods. However, consumer sentiment remains negative, as does spending willingness. The confidence indicator registered -12 in July, one point lower than in June.

Reducing stamp duty just affords temporary relief



Source: Statistics Netherlands

The temporary cut in stamp duty, or transfer tax, from 6% to 2% has boosted the number of home sales. According to the NVM realtors' association, home sales were up 15% in July on the year before. This effect is merely temporary, however, and it remains to be seen whether it will have a positive effect on house prices. In fact a rise in home sales could depress prices further. The measure is designed to attract potential buyers to the market. However, because of the large number of houses for sale, buyers are in a strong negotiating position. Vendors may be inclined to accept a lower price, just to close the deal at long last. Only then will the suspected drop in house prices be reflected in actual figures.

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