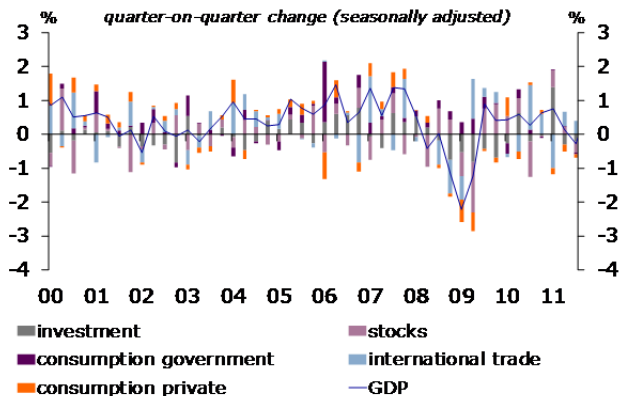


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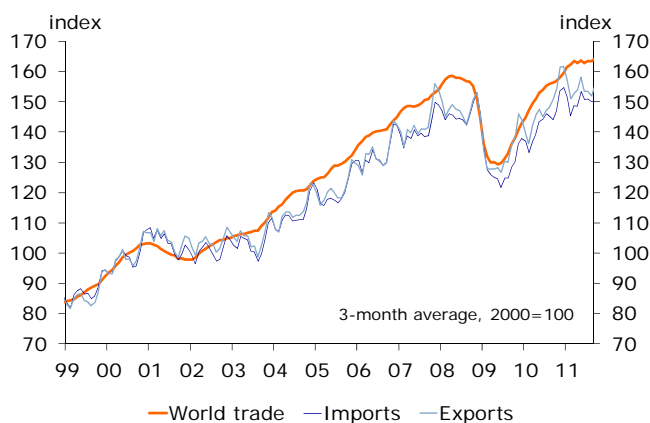
## Economic activity declining



The Netherlands' macroeconomic backdrop is worrying. In the third quarter of 2011, the size of the economy declined by 0.3% q-o-q. This means we already have one foot into the recession. Reasons for the slowdown include the European debt crisis and the associated turmoil in the financial markets; declining consumer and producer confidence; and rising unemployment. The results for the fourth quarter are expected to be at least as bad. Preliminary indicators suggest that the economy is slipping into the red, meaning a technical recession is highly likely.

Source: Statistics Netherlands

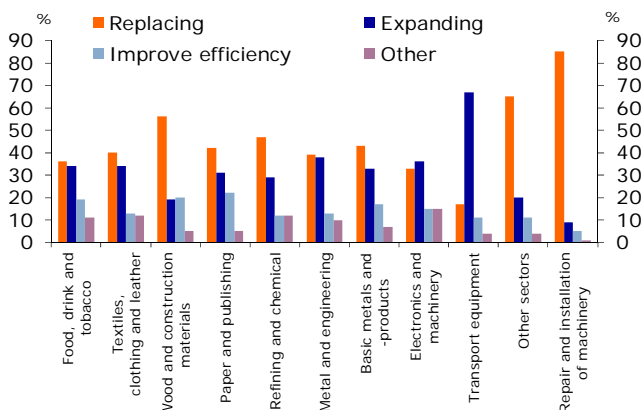
## Export growth levels off further



Although the net contribution from trade to economic growth was positive in the third quarter, this engine was not strong enough to drive the entire economy into the positive territory. Growth in world trade has been 'flattening' since the second half of 2010, partly due to the discontinuation of stimulus measures by governments and central banks. At the same time, some of the major emerging markets are reaching the limits of their production capacity. The leveling off in global trade means growth in Dutch exports and imports is also slowing down. Quarter-on-quarter growth in exports amounted to 0.3% in 11Q3, while the volume of imports fell by 0.2%.

Source: Statistics Netherlands

## Production still negative



Private investment made a negative contribution to economic growth in the third quarter. The fourth quarter is not expected to be any better. The further drop in producer confidence in October and November suggest that the investment climate is not improving. On a positive note, producers plan to invest 5% more in 2012 than in 2011. Most entrepreneurs (43%) intend to replace machinery, while 32% are considering expanding production capacity. 19% cite their wish to improve efficiency, while 11% give other reasons for investing. In analysing these figures, it must be noted that there are considerable differences per sector.

Source: Statistics Netherlands

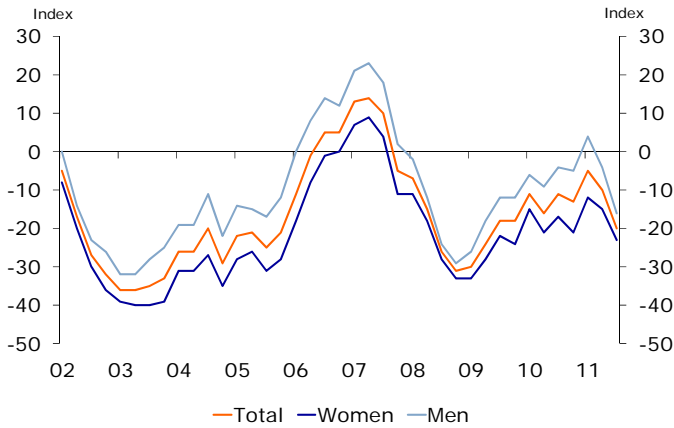
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# Economic Update The Netherlands

6 December 2011

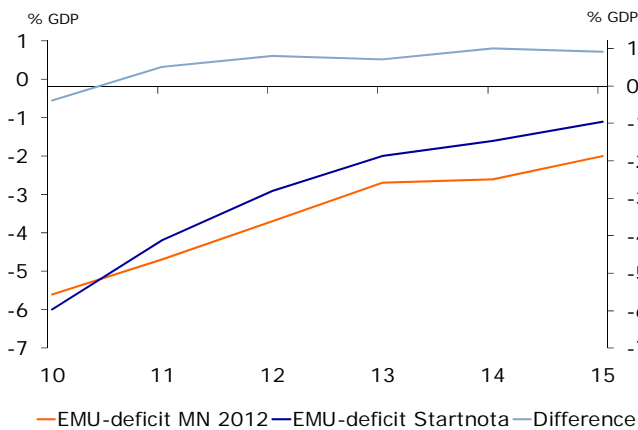
## Consumers remain pessimistic



Source: Statistics Netherlands

In the third quarter, the contribution from consumption was likewise negative. This was not surprising, considering consumers became more gloomy during the course of the year. Women tend to be more pessimistic than men, but men react more strongly to changes. This may be explained by the possibility that men have more to lose on average during a downturn, and equally have more to gain during an upswing. Not only do they earn more, they are more likely to work in sectors that are sensitive for economic movements, such as construction and industry. Women are more likely to work in less cyclically sensitive sectors such as health care and education.

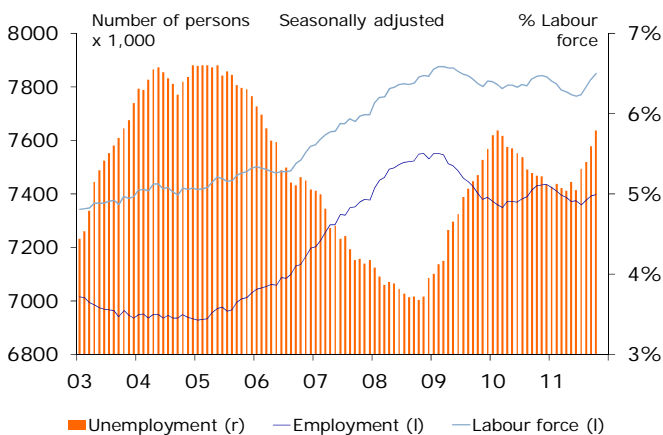
## More government cutbacks possible



Source: Finance Ministry, Rabobank

As a result of disappointing tax revenues and extra spending (in the area of social security and health care), the government deficit for 2011 will reach 4.5% of GDP and government debt will rise to 65% of GDP, according to the Ministry of Finance. After 2012, additional cutbacks over and above the planned EUR 18bn cannot be ruled out. At the start of the current cabinet period, the government did promise to implement additional cuts if the budget deficit was more than 1% point greater than originally projected in a single year. This threshold will come dangerously close next year. It will become clear in May whether additional cutbacks will indeed be implemented.

## Labour market stagnating



Source: Statistics Netherlands

The number of jobless rose in October for the fourth month in a row. The current unemployment rate of 5.8% now equals the trough reached in February 2008. Although employment rose in recent months, it was outpaced by the rise in the labour force. In November, 70% of the Dutch population anticipated a further rise in unemployment during the coming 12 months. Entrepreneurs in industry, construction and business services are equally pessimistic about the outlook for employment given the current economic slowdown. They expect to reduce personnel numbers in the fourth quarter. Retailers and entrepreneurs in the hospitality industry have similar expectations.

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