

7 July 2010

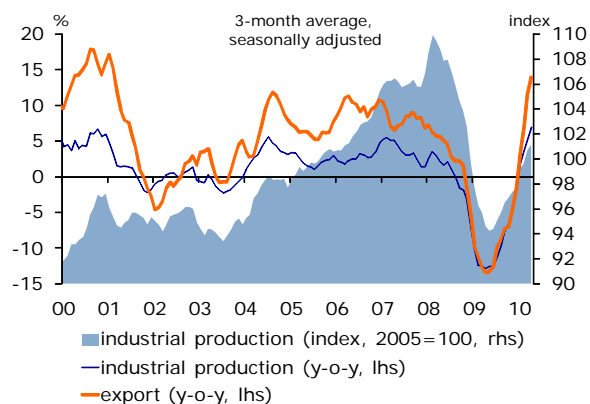
Recovery hampered by uncertainty

<i>year-on-year volume change (%)</i>	'09	'10	'11
Gross Domestic Product	-3.9	1½	1¾
Private consumption	-2.5	½	¾
Government spending	3.7	½	¾
Private investment	-16.4	-5¼	2½
Exports of goods and services	-7.9	7	4¾
Imports of goods and services	-8.5	5½	3
Consumer price index	1.2	1¼	1¼
Unemployment (% labour force)	4.9	6	6
Government budget balance (% GDP)	-5.3	-6½	-4¾

Source: Statistics Netherlands, Rabobank

In the first quarter, the Dutch economy grew by 0.3% compared to the previous one. With three consecutive quarters of positive growth, the Netherlands are gradually recovering. However, as the average growth in this recovery phase amounts to almost 0.5% (q-o-q), this recovery cannot be described as especially robust. This year, the economy is expected to grow by 1.5%. The debt crisis – at the moment mainly a lack of confidence in the credit rating of a number of governments in the eurozone – is creating uncertainty about the recovery. An added factor is the lack of clarity around the government policies that will be pursued to put government finances back in order.

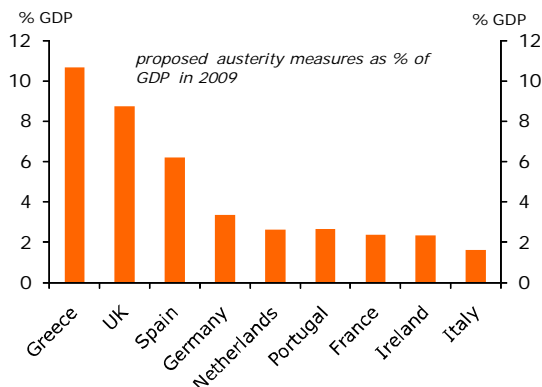
Upturn mainly because of foreign demand...



Source: Statistics Netherlands, Rabobank

As usual, the greatest contribution to economic growth in the initial phase of recovery comes from exports. Since the end of the recession in the Netherlands, in the middle of last year, export volume has grown by almost 11% on a yearly basis. Dutch exporters are profiting from the upturn in the world economy. In addition to this, the euro's depreciation is having a positive effect on the eurozone's price competitiveness. Because of the recovery in exports the production of Dutch Industry is over 5% higher in the first quarter of this year than in the same period last year. In accordance with these developments, entrepreneurs in industry are more and more positive about their orders on hand. However, production levels are still well below the levels seen before the crisis.

...but austerity measures are looming



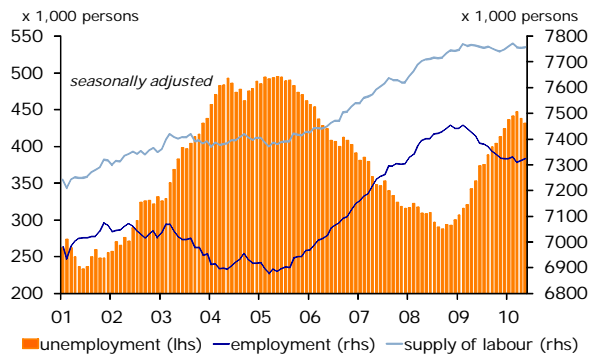
Source: diverse sources

To reduce their budget deficits, several European governments have announced they will be making considerable budget cuts in the coming two to four years. Dutch political parties also want to cut spending by an average of around €15 billion in the next four years. Now we have to wait for a coalition to be formed. By making sizeable budget cuts in Europe in the short run, there is a danger the fragile recovery taking place in the Netherlands will be nipped in the bud. However, in this respect much depends on public confidence in the government's policies. If the government succeeds in taking credible measures which will, in time, both generate revenue for state finances and structurally strengthen the Dutch economy, cutting public spending could also have a positive outcome.

Monthly update The Netherlands

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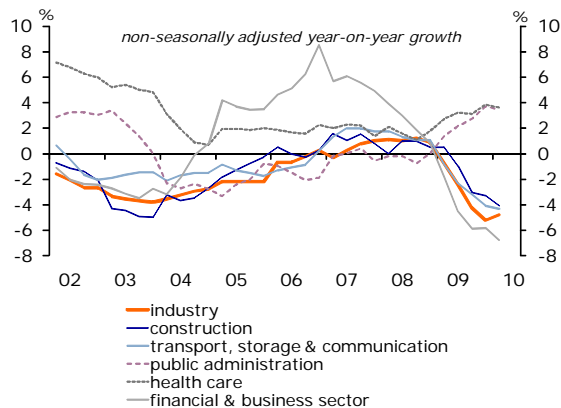
Less unemployment again..



Source: Statistics Netherlands

In May, unemployment fell for the second consecutive month; it fell by 7,000 to a total of 437,000 people. The past six months, unemployment rose by an average of 3,000 people per month. This is a much smaller increase than that of the same period last year, when unemployment rose by 13,000 people per month on average. This is partially because people are pulling out of the labour market. Nevertheless, employers are keeping their staff on with a view to the shortage on the labour market in the coming years. Over the first five months of this year 17,200 requests for dismissal were filed, 30% less compared to the same period a year earlier.

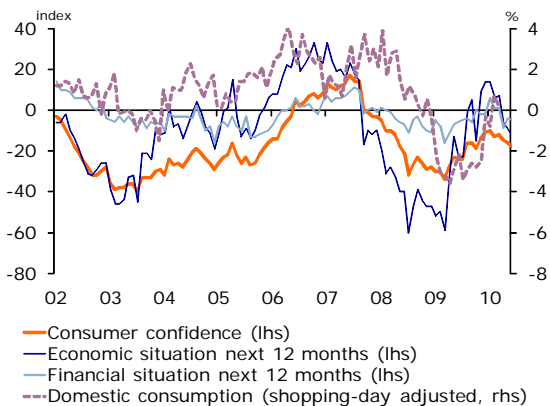
...but fewer jobs as well



Source: Statistics Netherlands

However, it is still too early to draw the conclusion that a change is taking place in the labour market. In the first quarter of this year, 156,000 jobs were lost compared to a year earlier. This is the fifth consecutive quarter in which there is a fall in the number of jobs. The number of temporary jobs in particular fell sharply, but the industrial and construction sectors also experienced a loss of employment. Considering all political parties' plans to make considerable cuts in the civil service, employment will probably not recover quickly in the coming period. This year and next year, unemployment is expected to come to 6% on average. However, this is still relatively low considering the substantial loss in production last year, and this year's mediocre recovery.

Consumers pessimistic about economic climate



Source: Statistics Netherlands

The mood among consumers has deteriorated since the start of the year. This can mainly be attributed to a less positive opinion on the economic situation in the Netherlands. Consumers are being affected by the problems in the eurozone and the prospect of cuts on public spending. The fact that consumers were loosening the reins in the first quarter of this year was mainly because of temporary factors, such as higher consumption of gas and 'subsidised' car sales. Due to a lack of confidence, combined with the unfavourable situation on the labour market and the limited wage increase, consumer spending will only increase sparingly this year and next year.