

Economic Update The Netherlands

6 May 2013

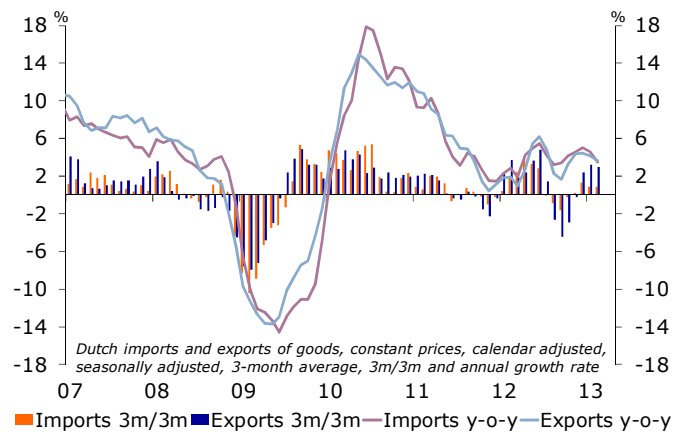
Winter cold and world economy

Year-on-year change (%)	'12	'13	'14
Gross Domestic Product	-1.0	-3/4	3/4
Private consumption	-1.4	-2	-1/4
Government spending	-0.2	-1/4	-1/2
Private investment	-5.3	-5 3/4	3/4
Exports	3.3	3 3/4	4 1/2
Imports	3.1	3 1/2	4 1/4
Inflation	2.8	2 1/2	1 1/4
Unemployment (%)	5.3	6 1/2	7
Government budget (% GDP)	-4.1	-3 1/2	-3 1/2
Government debt (% GDP)	71.2	75	77
Current account balance (% GDP)	9.9	10	10

Exports continue to grow, but cannot counterbalance the depressed domestic demand. The unseasonably long and cold winter has increased production of natural gas in 13Q1, but this positive effect will disappear in the next quarter. Ultimately, exports will have to slowly lift the Dutch economy out of recession. Disappointing growth figures from Germany, the US and China, however, point to a possible slow-down of world economic growth. Consequently, economic recovery in the Netherlands may be slower than expected. If this is the case, unemployment may rise more than projected and extra fiscal consolidation may become necessary to meet EU's fiscal targets.

Source: Reuters EcoWin, Rabobank

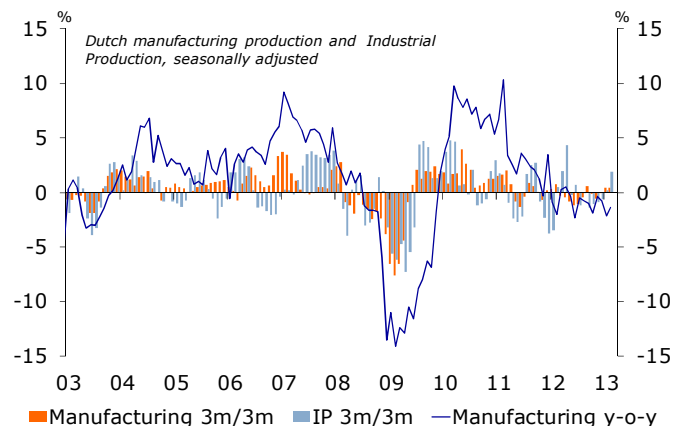
Export growth weakens



The volume of goods exported fell by 0.5% m-o-m in February, following a 1.3% drop in January. If export volumes were to stabilise in March, the quarterly rise in 13Q1 will amount to 0.9%, which is significantly below the 2.4% growth booked in the previous quarter. The volume of imports rose modestly in February. For 13Q1, we expect the volume of goods imported to be at the same level, or slightly below, that of 12Q4. As such, we expect net trade to again contribute positively to economic growth in the first quarter. But for the time being, export growth is too weak to significantly boost activity.

Source: Statistics Netherlands, Rabobank

Winter cold bumps up industrial production



Manufacturing output grew by 0.7% m-o-m in February, after a sharp contraction in January (-3.5% m-o-m). Total industrial production (IP), which also includes mining and utilities, grew by 3% m-o-m, after stagnating in January. Due to unseasonably cold weather, we also expect IP to grow robustly in March. This is largely explained by increased production of natural gas. If production levels were to remain unchanged in March, Q1 growth will amount to -1.3% for manufacturing production and +3.1% for IP. If the latter is mainly caused by a temporary increase in natural gas production, we expect production to decline again in 13Q2.

Source: Statistics Netherlands

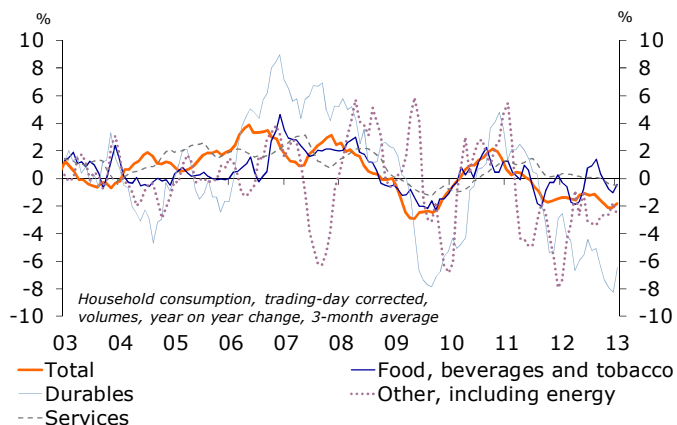
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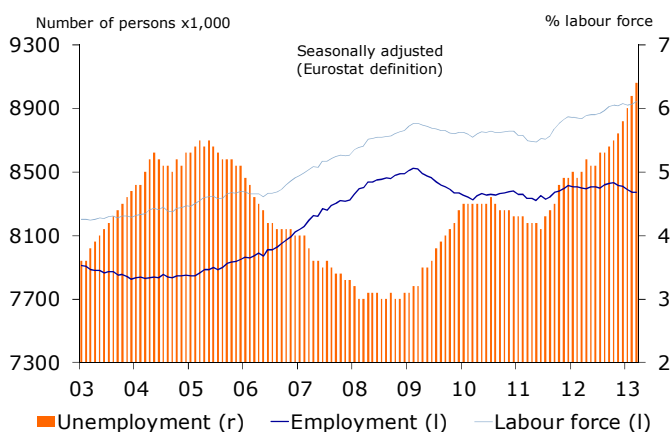
Household consumption remains depressed



Household consumption volume fell by 2.3% and 2.2% in January and February respectively, compared to the same months in the previous year. All components of consumption contracted. Note that CBS data are trading-day adjusted, but not seasonally adjusted. After correcting for seasonal patterns, we find a 0.2% m-o-m increase in February, a welcome interruption after the downward trend seen since mid 2011. If consumption volumes were to remain flat in March, this will result in a 0.4% contraction in 13Q1. However, the temporary increase in consumption of natural gas will contribute positively to these results.

Source: Statistics Netherlands

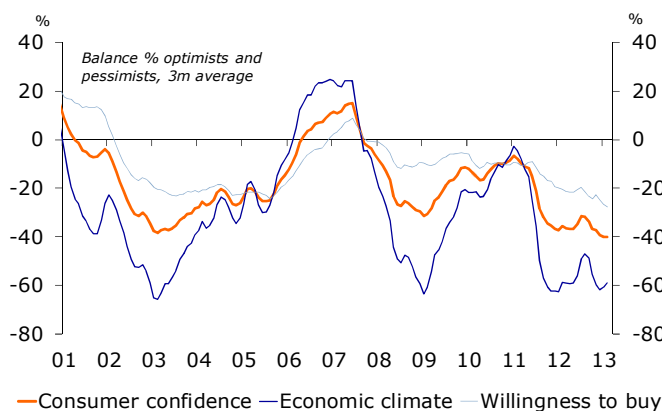
Unemployment growth accelerates ...



Unemployment again increased sharply in March. According to the Eurostat definition, 573,000 persons, or 6.4% of the labour force, are currently unemployed. The definition of Statistics Netherlands (CBS) is more commonly used in the Dutch media, and this metric is now at 8.1%, the highest since 1996. From mid-2011, increasing unemployment was mainly due to an increase in labour supply. Compounding this effect, employment started to decline during the past months, leading to an acceleration of unemployment growth. The notable deterioration in labour market dynamics makes it likely that unemployment projections will be adjusted upward in the next months.

Source: Statistics Netherlands

... but consumer confidence is stabilising



Consumer confidence improved for two months in a row, after the historically low point reached in February (-44). The indicator rose by 6 points in April, and now stands at -35. This is still far below the long-run average (-6.8). Consumer confidence is surveyed during the first 10 working days of each month. This means that the announced budget cuts amounting to EUR 4.3 bn are reflected in the March figure, and the anxiety over the crisis in Cyprus is incorporated in the April figure. The effects of the 'Social Agreement', sought after by prime minister Rutte, and perhaps even a 'coronation effect' will probably be reflected in the May figure.

Source: Statistics Netherlands

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