



# Economic Update The Netherlands

## 7 June 2011

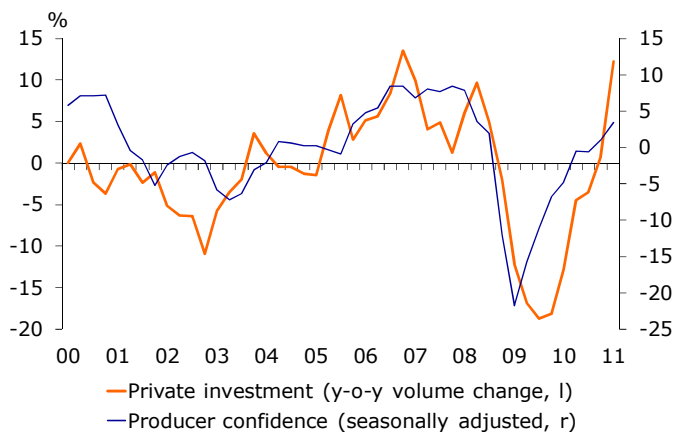
### Strong growth in the first quarter

	2010	2011	2012
<i>Year-on-year % change</i>			
Gross domestic product	1.8	2	1¾
Private consumption	0.4	¼	½
Government expenditures	1.5	0	-½
Private investment	-4.7	3	3¾
Exports of goods and services	10.9	6¾	4½
Imports of goods and services	10.5	4¾	3¾
Consumer price index	1.3	2	1¾
Unemployment (% labour force)	5.5	5	5
Government budget (% GDP)	-5.4	-3½	-2¾
Government debt (% GDP)	62.7	65½	66
Current account balance (% GDP)	5.5	6½	7

Source: Statistics Netherlands, Rabobank

At a rate of 0.9% (q-o-q), real economic growth in the first quarter was higher than expected. The increase was due to a surge in private investment growth. Economic growth on an annual basis is expected to average 2% for 2011. Another positive development is that unemployment has declined further to 5.0%, and continues to be among the lowest in the EU. However, the pace of real GDP growth is expected to be more moderate in the rest of the year, as the growth of private investment volume settles down while real consumption growth remains weak.

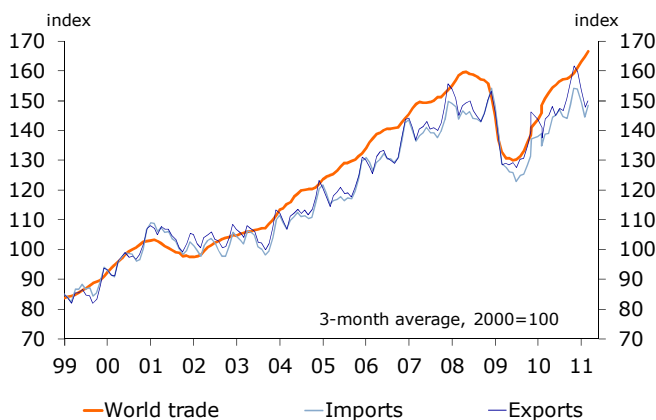
### Sharp rise in investment



The mild early spring weather led to an unexpected sharp rise in private investment in both residential and commercial property. For the first quarter of the year, real corporate investment was 12.2% higher than a year earlier. Producer confidence is showing positive development, but with more restraint than the sudden spike in private investment. Producer confidence rose to 3.4 (quarterly average), although on a monthly basis it dipped from 4.6 in April to 3.1 in May. Producers have become more negative about output in the coming three months and about their order positions.

Source: Statistics Netherlands

### Exports easing slightly



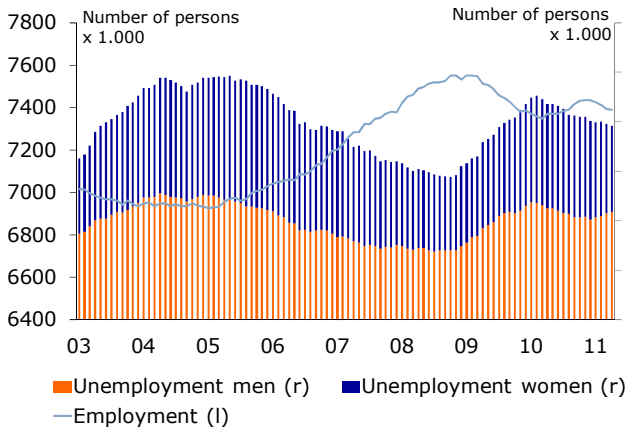
The total volume of exports, consisting of re-exports (imported goods that are re-exported after minor processing) and exports of Dutch products declined by 0.2% (q-o-q) in the first quarter. This drop can be attributed to a decline in re-exports. By contrast, exports of Dutch products rose slightly. Imports likewise increased somewhat, showing 1.5% growth (q-o-q). With imports growing faster than exports, net trade showed a negative quarter-on-quarter contribution to economic growth in the first quarter. The strong performance of imports can mainly be attributed to a sharp increase in investment.

Source: Statistics Netherlands

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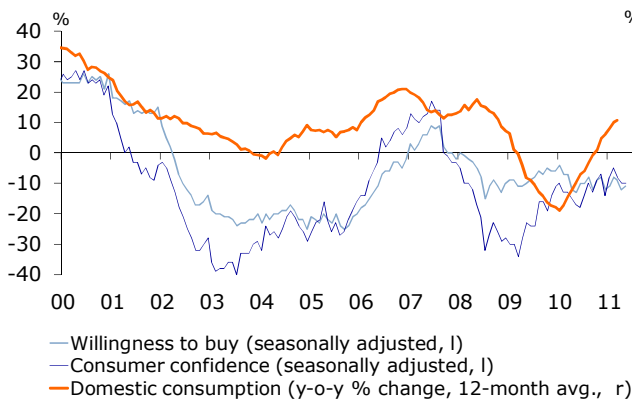
## Unemployment among males increasing



Source: Statistics Netherlands

In April, the seasonally corrected unemployment rate was 5.0%, the lowest level since July 2009. This represents a jobless total of 392,000 – 4,000 fewer than the previous month. However, unemployment in the male population rose by 3,000, compared to a drop of 7,000 in the number of unemployed women. Since early 2009 the unemployment rate has been higher among males than females, and the gap has widened in the first months of 2011. This development is due to ongoing employment growth in specific sectors, such as healthcare, where mainly women are employed.

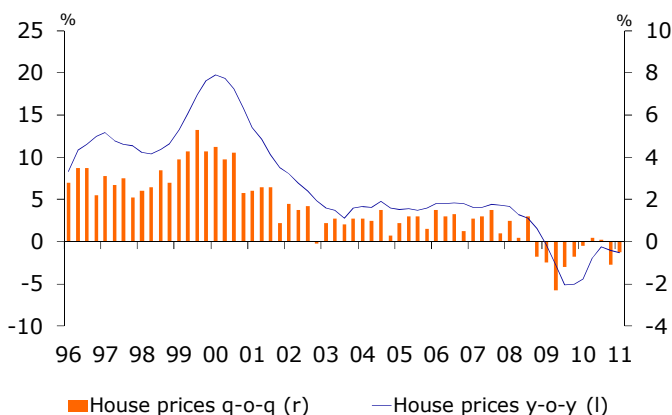
## Consumption on track



Source: Statistics Netherlands

Real growth of private consumption amounted to 1.6% in March (12-month average). However, sentiment remains cautious. In May, consumer confidence registered a score of -10, and spending willingness was -11. This represents a deterioration on previous months. The negative sentiment may possibly be due to media reports about the problems in eurozone countries with high government debt and considerable budget deficits (such as Greece). Confidence is not helped either by the stagnant housing market and the continuing uncertainty about pensions.

## House prices continue to drop



Source: Statistics Netherlands

The decline in house prices during the fourth quarter of 2010 continued into the first quarter of 2011. Existing home prices slid by 0.5% (q-o-q). This represents a year-on-year price drop of 1.2% in the first quarter of 2011, apparently putting an end to the upward trend in house prices seen from late 2009 to mid-2010. Existing home prices are likely to drop by 2% this year compared to 2010. Meanwhile sales numbers remain low. In the first quarter of 2011 28,358 houses changed hands, 2.2% more than previous year.

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