



6 March 2012

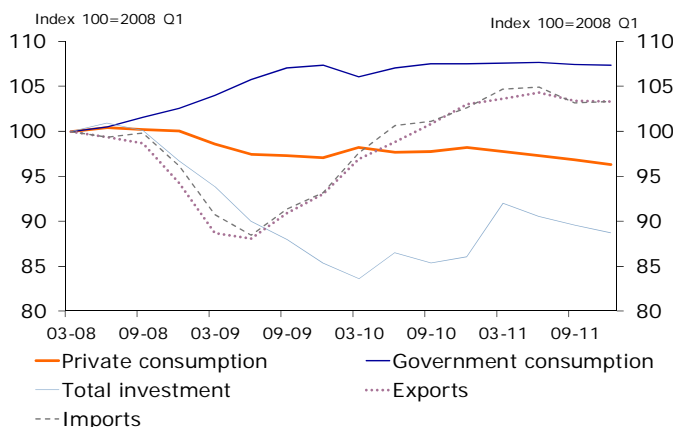
The Netherlands in recession

	2011	2012	2013
<i>Year-on-year change in %</i>			
Gross Domestic Product	1.2	-3/4	1
Private consumption	-0.9	-1 1/4	-1 1/2
Government expenditures	0.4	-1	-1 1/4
Private investment	5.8	-2 1/4	2
Exports of goods and services	3.7	1 3/4	5
Imports of goods and services	3.5	1	4 1/4
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Consumer price index	2.4	2 1/4	2
Unemployment (% labour force)	5.4	6 1/2	6 1/2
Government budget (% GDP)	-5.0	-4 1/2	-4 1/2
Government debt (% GDP)	65.4	69 1/2	73
Current account balance (% GDP)	6 3/4	7 1/4	7

In the fourth quarter of 2011, the Dutch economy contracted by 0.7% in real terms compared to the previous quarter. As this was the second successive quarterly contraction, statistically, the Dutch economy is in recession. At the same time, compared to 2010, the economy grew by 1.2% in 2011 as a whole. During the first half of this year, the economy is expected to contract further, but will gain some steam from the second half onwards. On balance, real economic activity in 2012 will be lower than in 2011. This will be mainly due to the sharp contraction carried over from late 2011.

Source: Statistics Netherlands, Rabobank

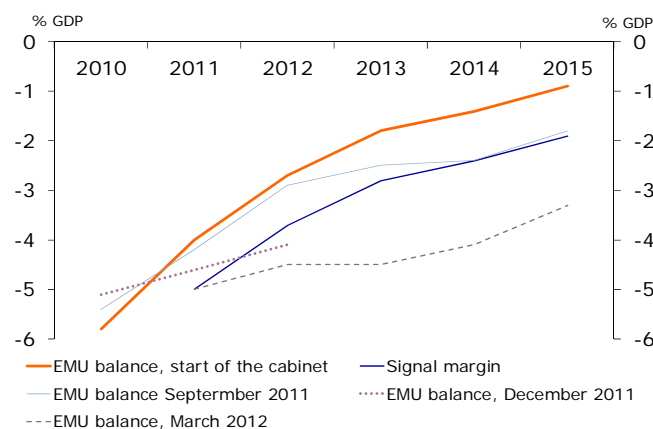
Private consumption; an important factor



The recovery after the recession of 2009 was mainly driven by international trade growth. Last year, however, the net contribution of trade to economic growth has scarcely been positive. During the past quarter it turned even negative. Domestic spending, led by private consumption, has made little or no contribution to growth, which is an important reason why the Netherlands fell into recession again. During the fourth quarter, private consumption declined by 0.6% on a quarterly basis. Since private consumption accounts for nearly 45% of GDP, it is clearly a major factor in the economic contraction. There was also a decline in the volume of investment, which fell by 1.0% in the fourth quarter.

Source: Statistics Netherlands

CPB: lower growth, larger budget deficit



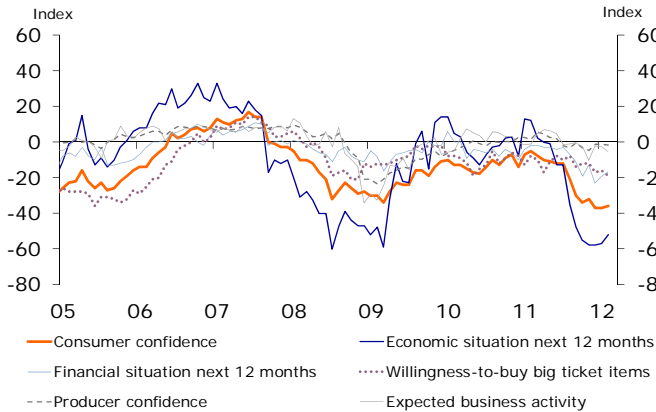
As a result of the economic deterioration, the EMU balance for 2012 and beyond will be lower than was forecast. But even without this downturn, the deficit in 2011 was already 1% point greater than the cabinet had expected at the start of this period of office. This implies that the budgetary discipline of the current cabinet is not sufficient. If the budget deficit is to remain within the target of 0.9% at the end of this cabinet period, additional net savings to the tune of 16 billion euro are needed. Thanks to the 'signal margin' of 1 percent decided on in the coalition agreement, the cabinet has leeway of some 6 billion euro. If the cabinet is to comply with EU regulations, savings amounting to 9 billion will have to be realised as early as 2013.

Source: CPB (Bureau for Economic Policy Analysis)

Economic Update the Netherlands

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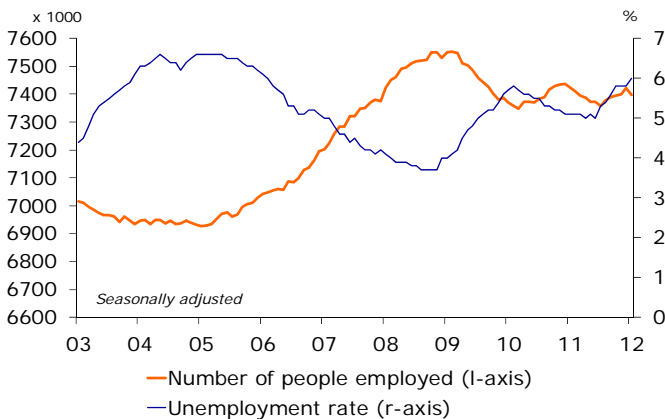
Consumers slightly less pessimistic



After the economic contraction of 0.7% in the last quarter, the outlook for the current quarter and beyond is somewhat more favourable. Consumers also seem to share this optimism. Compared to December, confidence in the economic and financial situation for the next 12 months rose by 6 points in February. The fact that consumer confidence as such rose by only one point is because households have become more negative in their assessment of the past 12 months. Producers, for their part, are more positive about their order positions and inventories. However, this has not resulted in an increase in producer confidence, because of a decline in the expected business activity.

Source: Statistics Netherlands

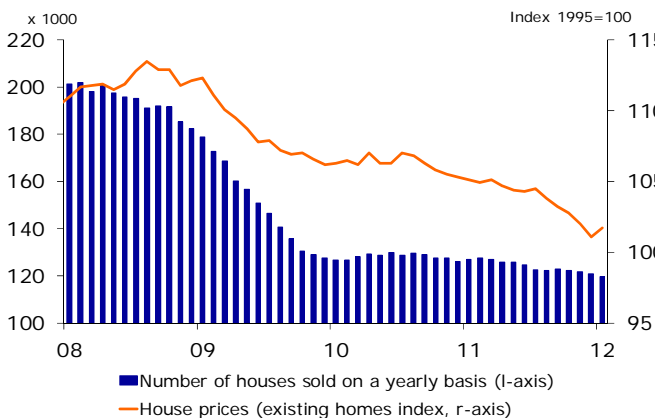
Further rise in unemployment



In January of this year unemployment rose to 6.0% of the workforce. As a rule, a rise in unemployment goes hand in hand with a drop in employment. However, during the period from May to December last year, this was not the case. While unemployment rose from 5.1% to 5.8%, the number of people employed increased by 50,000. This was because the workforce grew by 106,000 during the same period. The rise in job offers was insufficient to absorb the increase in the labour supply. In January, however, the number of jobless rose from 456,000 to 474,000, whereas there was a drop in the size of the workforce.

Source: Statistics Netherlands

Housing market: good and bad news



After five months of falling prices, January 2012 saw a 0.6% rise in the existing homes index of Statistics Netherlands compared to the previous month. This compares to a monthly decline of 0.9% in December. Another positive development is a drop in the number of forced sales: from 393 in January 2011 to 149 in January 2012. Not such good news is the 15% decline in the number of houses sold in January compared to a year earlier. In absolute numbers this is 7,082 homes. Since a recovery of the housing market is often heralded by an increase in the number of houses changing hands, the recent figures do not suggest a sustainable improvement.

Source: Statistics Netherlands & Land Registry

www.rabobank.com/economics

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