



5 July 2011

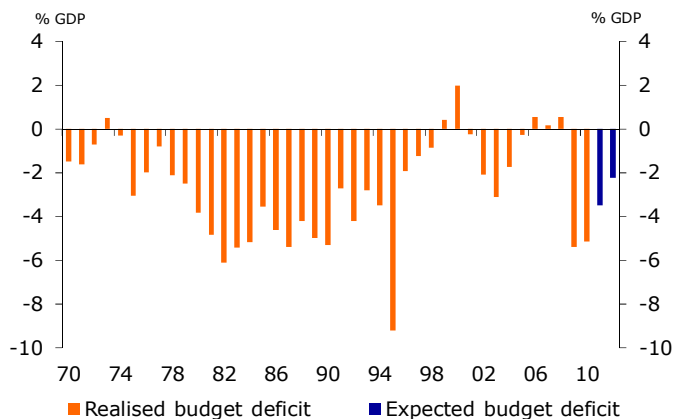
Recession not as deep as previously thought

	2010	2011	2012
<i>Year-on-year change in %</i>			
Gross Domestic Product	1.7	2	1%
Private consumption	0.4	¼	½
Government expenditures	1.0	0	-½
Private investment	-4.4	3	3%
Exports of goods and services	10.8	6%	4%
Imports of goods and services	10.6	4%	3%
Consumer price index	1.3	2	1%
Unemployment (% labour force)	5.5	5	5
Government budget (% GDP)	-5.4	-3½	-2%
Government debt (% GDP)	62.7	65½	66
Current account balance (% GDP)	5.5	6½	7

Source: Rabobank

In June, the growth figures for the years 2008 through 2010 were revised. It turns out that the Dutch economy contracted by 'only' 3.5% in 2009, and not 3.9% (as originally estimated), because investment was stronger. This means the Great Recession is not after all the deepest recession the Netherlands has experienced: the economic downturn of 1931 was sharper whereby GDP fell by 3.6%. A fall in exports remains the main reason for the downturn. Although exports have been the main engine driving the recovery, this engine is due a major overhaul. In April, real exports grew by only 4% y-o-y, compared to an average growth of 4.2% during the first quarter of 2010. The volume of imports actually declined by 0.5% (y-o-y).

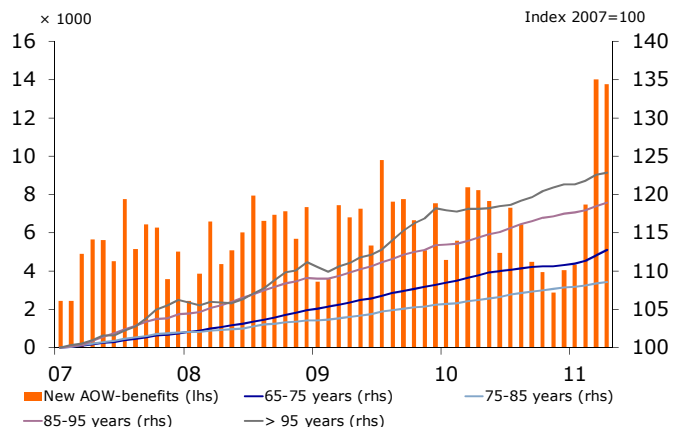
Government finances short of target



Source: Statistics Netherlands

In early June, the European Commission (EC) presented its assessment of the Dutch reform programme and stability programme. By international standards, the Netherlands has a good performance and is well on its way to reducing the budget deficit to below the 3% threshold before the 2013 deadline. However, we must not draw a conclusion too soon. For 2011, for instance, EUR 2.9bn worth of savings were planned, but the government is behind in meeting this target. And other problems are looming ahead. The cabinet does not have a majority in the Lower and Upper Houses of Parliament, and therefore lacks a broad social base for many of the proposed cuts.

Baby boomers reaching pensionable age en masse



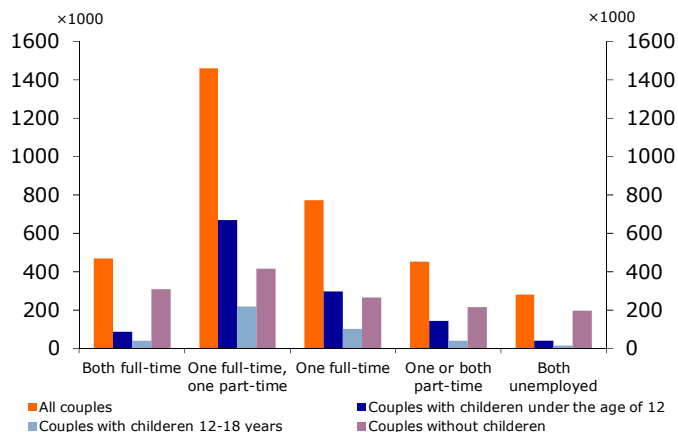
Source: Statistics Netherlands

The sustainability of government finances is set to be the greatest challenge in the long term, owing to the expected enormous increase in spending on health care and state pensions. Late March saw a surge in the growth of old age pensioners. This trend will continue for some time, because people born in 1946, and now reaching pensionable age, comprise the largest generation ever. On 1 January this cohort numbered over 234,000 individuals. In the older age groups, the number of benefits paid is rising more rapidly than in the younger age groups - the reason being that people are living longer.

Economic Update: The Netherlands

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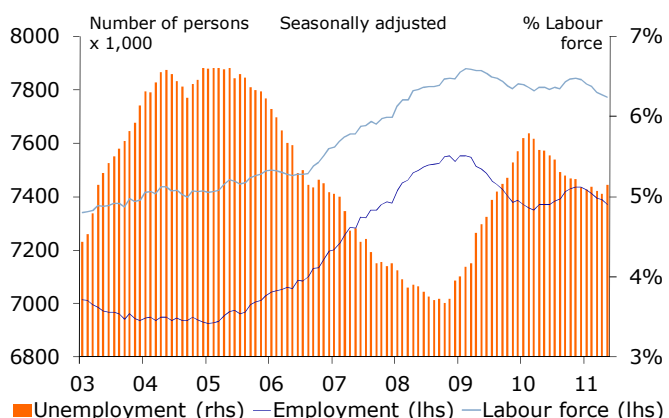
Dual income earners don't want to work more hours



Source: Statistics Netherlands

To address the consequences of an ageing population, the EC has recommended tapping into underutilised labour potential. One proposal is to increase the number of hours worked by second income (part-time) earners. However, there is little appetite among the Dutch population for this proposal. Among one-and-a-half income households - the most common group of earners in the Netherlands, only 2% of the women want to work more hours. Thus, the potential for extra labour is limited. The government would be better off putting its efforts into integrating vulnerable groups into the labour market. Older people, for instance, still experience great difficulty in finding a job.

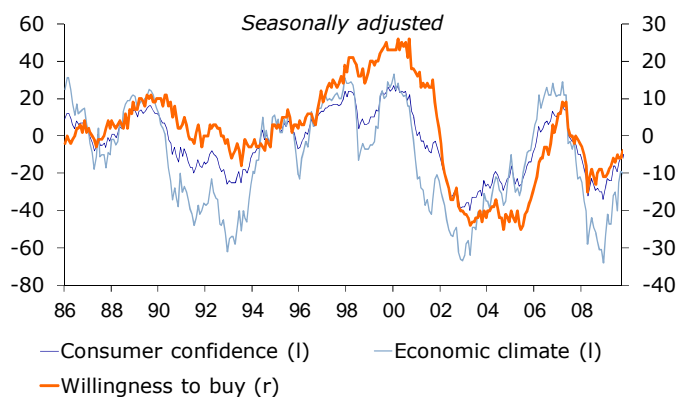
Unemployment rising



Source: Statistics Netherlands

In May, there were 8,000 more people out of work than in April, putting the seasonally adjusted unemployment percentage at 5.1%. In contrast to the previous months, the labour supply declined less sharply than employment. The first quarter registered a fraction fewer jobs (0.1%) than the last quarter of 2010. The decline was most marked in the construction industry, real estate transactions and leasing, public administration and the cultural sector. By contrast, there was considerable growth in jobs in the health and wellness sector.

Consumer confidence falling



Source: Statistics Netherlands

The consumer confidence indicator declined from -10 to -11 in June. Compared to last month, consumers were more pessimistic about the economic climate - possibly due to the ongoing public debate about the situation in Greece. Consumers were actually less negative about their own financial situation, showing greater willingness to spend on big-ticket items than a month earlier. In April 2011 consumer spending rose by 0.5% compared to April 2010. Households spent more on food and stimulants (2.8%) and on durable goods (2.7%).

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Ruth van de Belt
Tel. +31 (0)30 - 2160143
R.Belt@rn.rabobank.nl