



1 February 2011

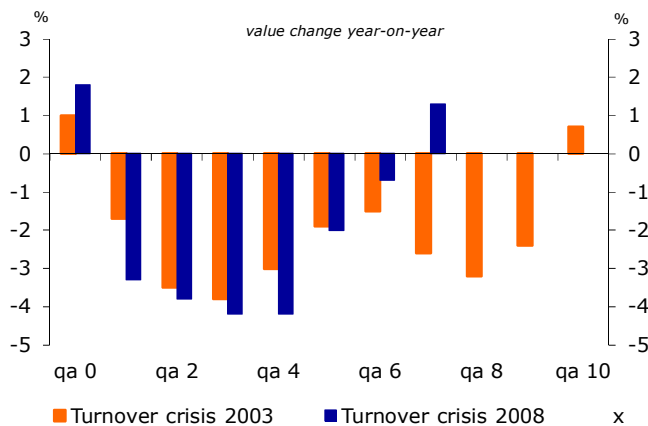
Economic picture still determined by global trade

	2009	2010	2011
<i>Year-on-year % change</i>			
Gross domestic product	-3.9	1%	1½
Private consumption	-2.5	¼	½
Government expenditures	3.7	½	¾
Private investment	-16.5	-5	2¾
Exports of goods and services	-7.9	9½	4¾
Imports of goods and services	-8.5	10	3¾
Consumer price index	1.2	1¼	1¼
Unemployment (% labour force)	4.9	5½	5¼
Government budget (% GDP)	-5.4	-6	-4
Government debt (% GDP)	60.8	65	66

Source: Rabobank

Exports continue to determine the Dutch economic situation. In turn, export volume depends greatly on developments in the relevant world trade, which picked up late last year. Growth of domestic demand is far from exuberant. In November 2010 private consumption showed a 2.8% increase (y-o-y), the highest growth since early 2008. Spending increased on both durable goods and energy. By contrast, corporate investment in fixed assets was down by 4.5% in November (y-o-y).

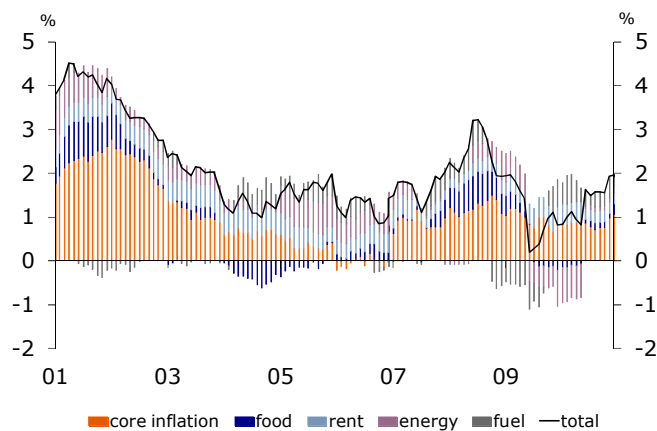
Will retail trade recover relatively soon?



Source: Statistics Netherlands

Retail trade performed better in November, compared to a year earlier. Turnover was up by 4.3% (y-o-y), the highest increase in over two years. The growth spurt was due to a 3% increase in volume and a price rise of 1.3%. Although the sales growth was positively influenced by favourable calendar effects, nonetheless, even after correction, the November increase was still some 3%. Thus retail trade appears to be recovering more rapidly from the recent crisis than was the case after the recession of 2003, which was much less deep. The recovery in consumer confidence, visible for some time, has certainly contributed to this.

Highest inflation since March 2009



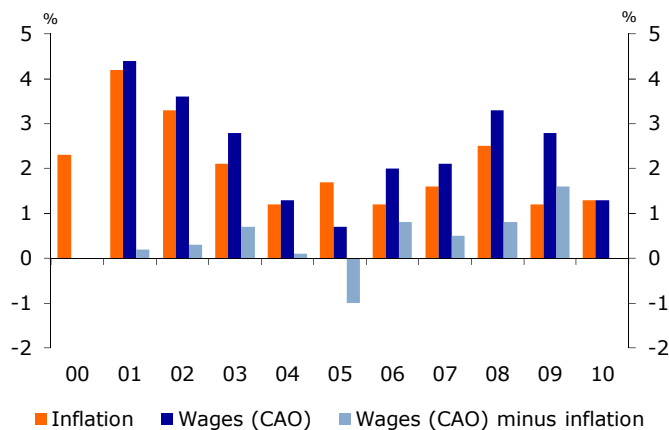
Source: Statistics Netherlands

In December inflation climbed to 1.9% (y-o-y), the highest average rise since March 2009. Particularly since the second half of 2010, inflation has been pushed up by higher energy and fuel prices. Upward pressure on food prices has been limited, but this may change. Food prices have been rising rapidly in recent months, and are generally reflected in higher shop prices with a lag. Since consumers spend around 10% of their income on food, these price rises will have an impact on inflation. For 2010 as a whole, inflation amounted to 1.3%, compared to 1.2% in 2009.

Economic Update The Netherlands

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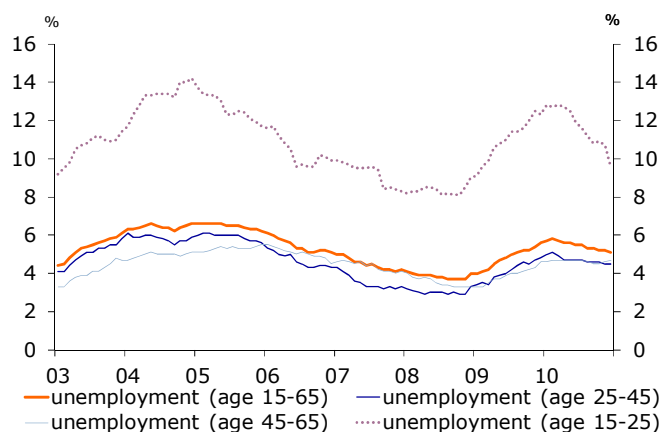
Wages and inflation rose in tandem in 2010



Both collectively agreed (CAO) wages and inflation rose in 2010, moving up 1.3%. During the past decade, wage increases ran at 0.4% above inflation, on average. Although wage growth exceeded inflation during the first half of 2010, the opposite was the case during the second half of the year. This does not necessarily mean that employees have lost purchasing power; their net monthly pay is also affected by changes to the premium payments of employees as well as individual wage rises. Contractual wage costs for employers rose by 1.5%, which exceeded the rise in wages. This was due to higher employer premiums.

Source: Statistics Netherlands

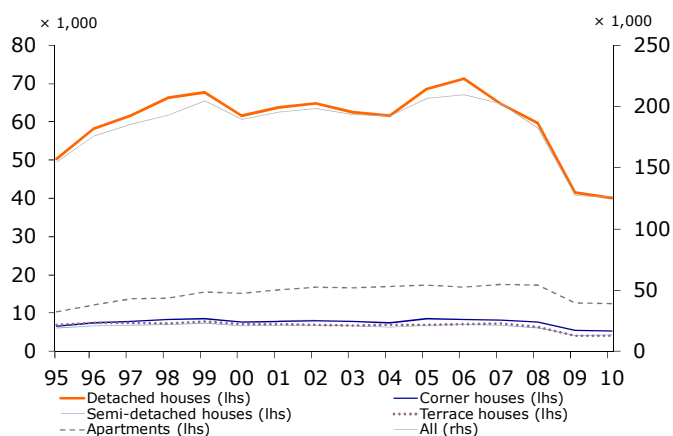
Weaker groups less successful on the labour market



In December 2010 unemployment was down by 8,000 people month-on-month, putting seasonally adjusted unemployment rate at 5.1%. The decline was chiefly caused by a reduction in the labour force by 6,000 people, compared to a monthly increase during the previous three-month period. The weakest groups (older people, the lower educated and the long-term unemployed) benefited least from the recovery. This is illustrated by a drop in unemployment among the 15-25 and 25-45 year age groups of 3.2% and 0.5% respectively, compared to a rise in unemployment of 0.1% among the 45-65 year age group.

Source: Statistics Netherlands

Home sales treading water



Stagnation continues to prevail in the housing market. Home sales were down by 1.1% in 2010 compared to 2009. While there was some improvement in sales of detached and semi-detached houses, transactions at the lower end of the market lagged behind. This is also where the difficulty will be in the year ahead. From 2011 it will become harder for people with lower incomes to get an NHG approved mortgage. Furthermore, the maximum mortgage permitted will be limited to 112% of the purchase price and this must be reduced to 100% of the house price within seven years after the purchase.

Source: Statistics Netherlands

www.rabobank.com/kennisbank

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