



4 April 2012

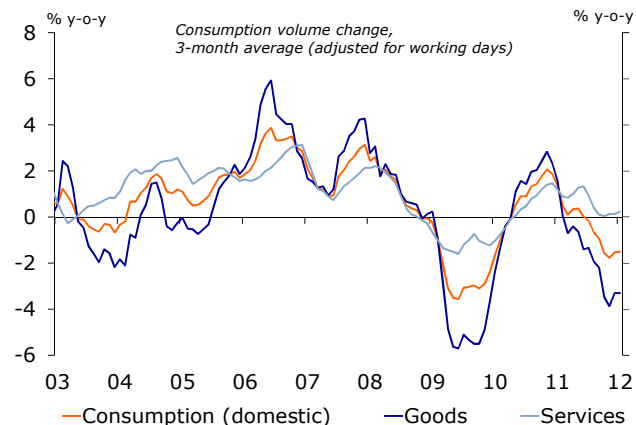
Fourth quarter contraction smaller than thought

	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	-1/2
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
Consumer price index	2.4	2 1/4	2
Unemployment (% labour force)	5.4	6 1/2	6 1/2
Government budget (% GDP)	-5	-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

The contraction of the Dutch economy has been adjusted upwards by 0.1% point. Corrected for working day and seasonal effects, the real contraction in the fourth quarter was 0.6%. Looking ahead, there is likely to have been further economic contraction in the first quarter of this year, but growth should pick up going forward, thanks to a recovery in exports. For 2012 as a whole, a negative real growth is expected of -3/4%. This is considerably lower than last year, but is largely due to economic contraction in the final quarters of 2011. A further recovery of the world economy is expected in 2013, leading to a 1% real growth of the Dutch economy.

Source: CBS, Rabobank

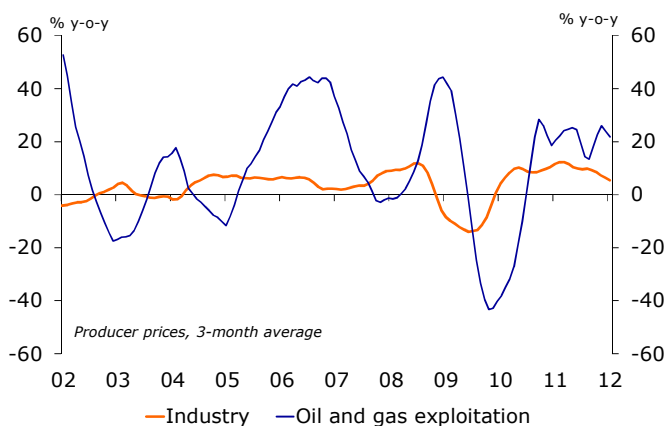
Consumer needs a boost



Source: CBS, Rabobank

Consumers have shown great reluctance to spend money in recent times. A revision of the data by Statistics Netherlands (CBS) shows that private consumption made a greater contribution to the economic contraction than it originally seemed from the flash estimate (-0.4% instead of -0.3%). Consumers also started the new year very cautiously. In January, the volume of consumption declined by 1.7% y-o-y. In particular spending on goods declined. Sales of durable consumer goods slumped by 4.4%, with car sales particularly hard hit (-13.7%). The consumption of fuel and energy was also down (-5.3%), thanks to the mild weather. On a slightly brighter note, consumption of services remained virtually unchanged.

Industrial sector hit by higher oil prices



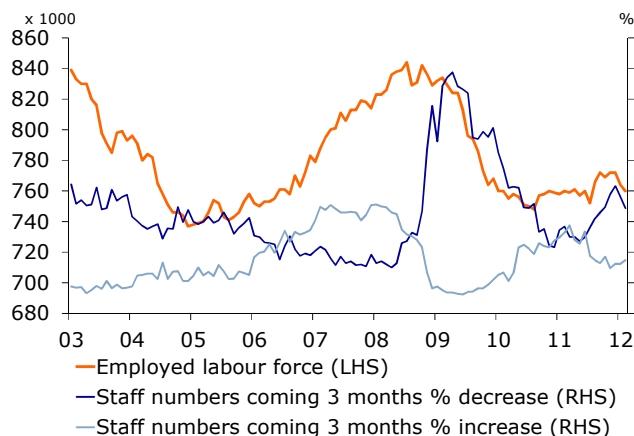
Source: CBS, Rabobank

In February, sales prices in the industrial sector were 4.8% higher than a year earlier. This means the pace of rising prices in the past half year has gradually slowed. As in previous months, the price rise was steepest in the oil and gas industry (18.2%). The price of crude oil has risen sharply of late, with Brent oil costing 95 euro per barrel on average in March. This is 13.2% higher than a year earlier. These higher prices may well put more pressure on profit margins of producers. Passing the higher production costs on to consumers will be difficult given the current position of the economic cycle.

Economic Update The Netherlands

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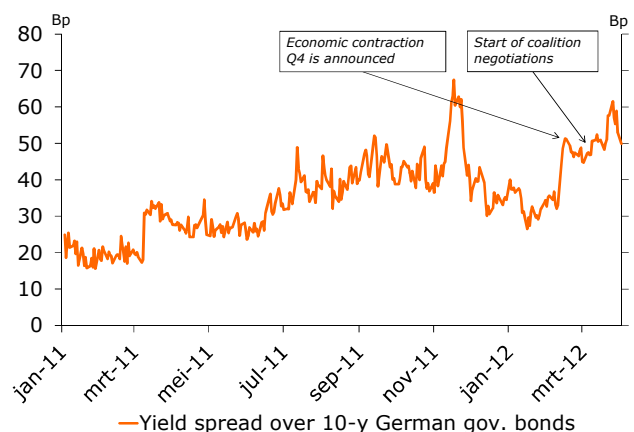
Labour market struggling



Source: CBS, Rabobank

In February, seasonally corrected unemployment amounted to 6% - the same as in January. Similarly, there was scarcely any increase in unemployment during the latter part of last year. This recent stabilisation is largely due to a slowing in the rise of the labour supply. Nonetheless, 2012 is expected to be a difficult year. Because of the economic contraction and government cutbacks the number of jobs will dwindle and unemployment will rise. In addition production growth in the market sector is slow. As a consequence there are few entrepreneurs in the industrial sector who expect staff numbers to rise in the near future.

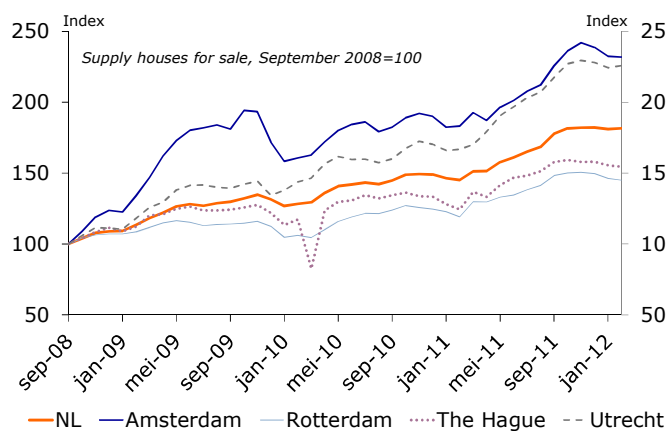
Spread on government bonds rising slightly



Source: Reuters EcoWin, Rabobank

The yield on 10-year Dutch government bonds (compared to Germany) has risen in recent weeks to nearly 50 basis points at the moment of writing. This is well above the 10-year average of 20 basis points. Nonetheless, the interest on Dutch government paper has reached a historic low. The current spread is lower than the level of late last year and that of early 2009. The Netherlands is still regarded as a solid country to invest in. Recent research by the ECB and the IMF shows, however, that the rising spreads are usually the result of a safe haven flight to Germany (see Piljic, D. (2012), *The Netherlands – Deservedly core*).

Supply of houses for sale in the Randstad



Source: Huizenzoeker.nl, Rabobank

The housing markets in the four largest municipalities have taken diverging paths since the start of the crisis. The cumulative increase in housing supply in Amsterdam (132%) and Utrecht (126%) was well above the national average. By contrast, the rise in the number of houses for sale in Rotterdam (45%) and The Hague (55%) was below the national average. However Statistics Netherlands (CBS) data also point out that the number of transactions (per quarter) declined less strongly in Amsterdam and Utrecht. Thus the housing market dynamics in these municipalities seems to be stronger. People there feel more comfortable putting their houses up for sale and more properties are sold.

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