



4 December 2012

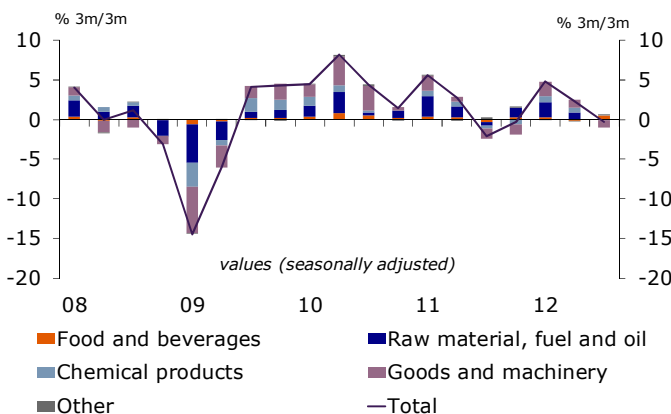
Foreign trade cannot maintain economic growth

	2011	2012	2013
<i>Year-on-year change in %</i>			
Gross Domestic Product	1.1	-1	-%
Private consumption	-1.0	-1½	-%
Government expenditures	0.1	¼	-½
Private investment	8.9	-4½	-2¼
Exports of goods and services	3.9	2%	2
Imports of goods and services	3.6	2½	2
Consumer price index	2.4	2½	2
Unemployment (% labour force)	4.4	5%	5%
Government budget (% GDP)	-5.1	-3.7	-2.7
Government debt (% GDP)	65.5	71.4	71.9
Current account balance (% GDP)	6¾	7¼	7

The Dutch economy contracted by 1.1% q-o-q in the third quarter of 2012. During the previous year and a half, the negative contribution of consumption and investment was (almost) fully offset by the positive contribution of net trade. However, in the third quarter, the contribution of net trade turned negative (-1.2%-point). Consumption and investment were again negative, and despite the positive contribution of stock formation, growth was ultimately deep into the negative territory. This is disappointing, particularly as net trade no longer contributed to growth.

Source: CBS (Statistics Netherlands), Rabobank

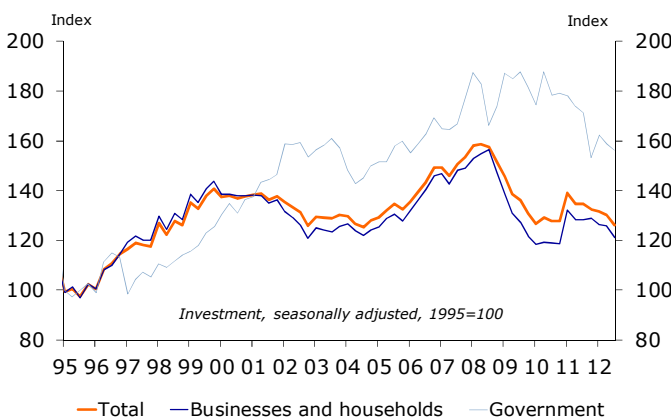
Exports no longer the growth driver



The negative contribution of net trade is partly caused by a 2.4% drop in the volume of exports in the third quarter (seasonally adjusted). This decline follows two quarters of increase of 2% or more. It can be mainly attributed to a decline in the export of goods, which were down 2.9%. Corrected for price effects, the decline was 0.6%. This drop was most marked for manufactured goods and machinery (August 3-month average). For the coming quarters, a modest return to growth is expected in the export sector. However, the eurozone debt crisis and weakening world economy will remain an impediment to a strong export recovery.

Source: CBS, Rabobank

Investments down, confidence slightly up



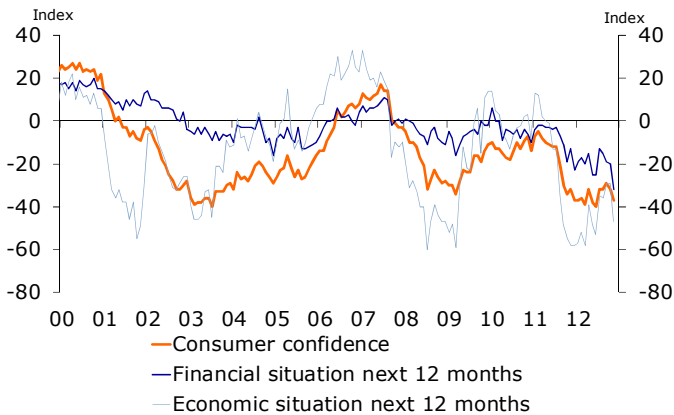
In the third quarter, the volume of investment fell by 3.1% q-o-q. The decline was most significant for households and firms (-3.8%). Since the start of the economic crisis in 2008, total investment has fallen by over 20%. Public sector investment, which started its decline later, is now down nearly 17%. For the coming quarters, the expectation is that private sector investment will only be for replacement of existing capital stock. For companies, there will be limited need for expansion since, at 77.9%, capacity utilisation rate is well below the historic average. That said, producer confidence did show some improvement in November (+0.7 index points), to -7.0.

Source: CBS

Economic Update The Netherlands

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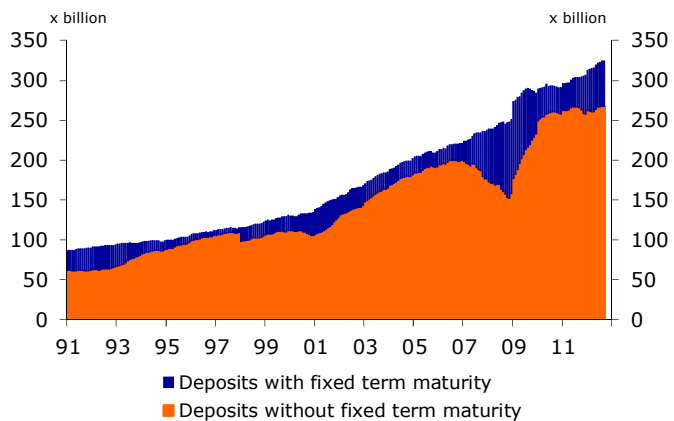
New cabinet bad for confidence



Source: CBS

Consumer sentiment plunged in November. The indicator registered a drop of 5 points, down to -37. The main declines were seen in the sub-indicators "economic situation in the next 12 months" and "financial situation in the next 12 months". The likely cause is the announcement of the coalition agreement on 29 October. The government proposes EUR 16bn worth of spending cutbacks and tax increases on top of the previous cabinet's austerity measures and those contained in the Spring Agreement, resulting in a total consolidation package of EUR 42bn for the entire government period. In November, concerns also rose regarding the means-tested health care premium.

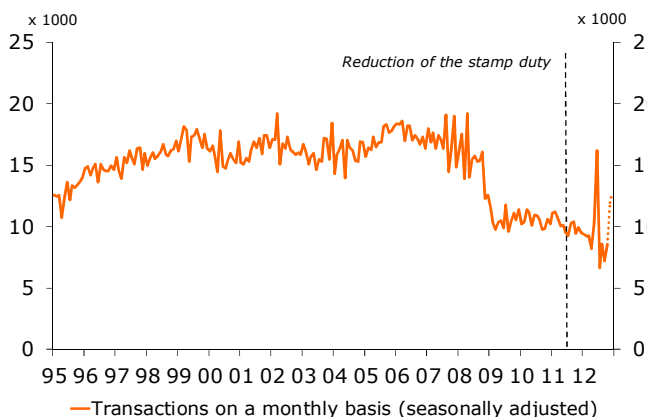
Savings on the rise, but unequally distributed



Source: CBS

In September, households' saving deposits increased by EUR 2.5bn compared to June. Households currently have nearly EUR 324bn in their check-in and savings accounts. However, these funds are very unequally distributed across households. According to the National Institute for Family Finance Information (NIBUD), 20% of households have no financial buffer, and in another 20% of cases, the buffer is inadequate. Those from higher income groups and/or home owners are the ones with large buffers. The latter group are probably keen to have savings on account of the drop in home prices. This comes at the expense of higher spending. Private consumption declined by 0.6% in 12Q3.

Temporary surge in transaction numbers expected



Source: CBS, Rabobank

During the past year, the amount of homes sold have been strongly influenced by government policies. Uncertainty about the rate of transfer tax after 1 July 2012 led to an almost 70% y-o-y rise in transaction numbers in June 2012. However, the increase was fully cancelled out during the following three months. The same pattern is set to be repeated at the end of this year. Mortgages taken out before 1 January 2013 will come under the existing tax regime. After that, new mortgages will have to be repaid fully on an amortisation basis in order to be eligible for tax relief. This will lead to a temporary spike in transaction numbers.

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