

2 November 2010

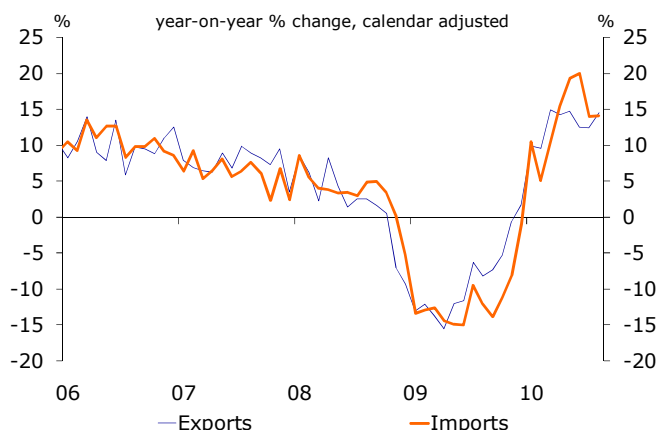
Cost cutting at the expense of growth

year-on-year volume change (%)	2009	2010	2011
Gross domestic product	-3.9	1¾	1½
Private consumption	-2.5	½	½
Government consumption	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	1
Unemployment (% labour force)	4.9	5½	5½
Government budget balance (% GDP)	-5.4	-6	-4½
Government debt (% GDP)	60.8	66	69

Source: Statistics Netherlands (CBS), Rabobank

The new Rutte cabinet took up office on 14 October, and has since announced an agenda of severe cost cutting. Most of the savings will involve government (€ 6.1 bn), social security (€ 4.3 bn) and international cooperation (€ 1.9 bn). Cut-backs will also be made to subsidies and health care (both € 1.4 bn). These measures will result in a decline in employment (in the medium term) as well as an increase in the tax burden. Consequently, according to the CPB (Netherlands Bureau for Economic Policy Analysis), consumption will be 0.7% lower on average annually during the 2011-2015 period than was originally projected. Annual GDP growth will therefore be 0.4% lower on average.

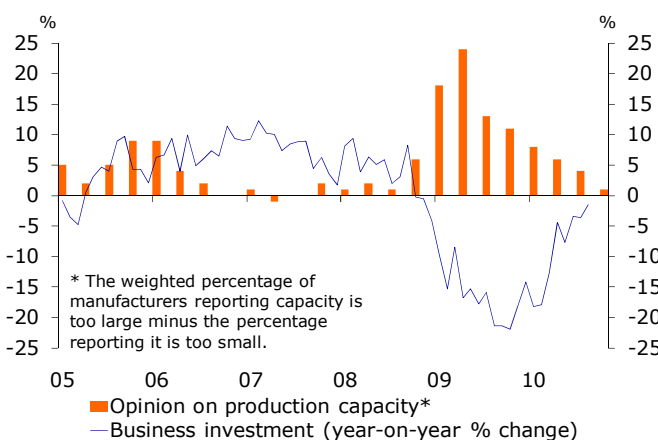
Exports continue to rise



Source: Statistics Netherlands (CBS)

Despite the weakening of global trade growth, the volume of Dutch exports registered over 14% increase in August year-on-year. This compares to over 12% in July. Imports likewise rose by 14% in August. Thus the increase in exports exceeded that of imports for the first time in five months. The industrial sector has benefited from the growth in international trade. In August, the volume of industrial production was again 7% higher year-on-year. Growth was most marked in the transport sector, followed by the machinery and metal industries.

Smaller contraction in business investment



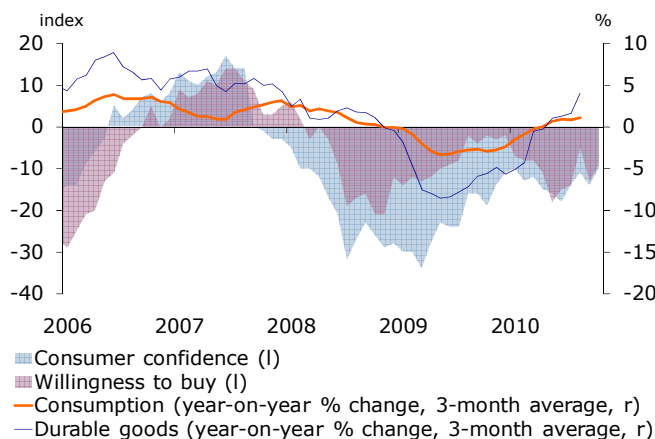
Source: Statistics Netherlands (CBS)

In August, business investment in tangible fixed assets was down 1.5% year-on-year. This was an improvement on the 3.6% y-o-y decline in July. There is little incentive for new investment, because the industrial capacity utilisation remains low. In October, 80.6% of available production capacity was in use, compared to 74.4% in April 2009. A majority of manufacturers surveyed rated production capacity as too high in October. However, this was a smaller majority compared to previous months, with relatively more industry bosses now considering production capacity to be too low.

Monthly update the Netherlands

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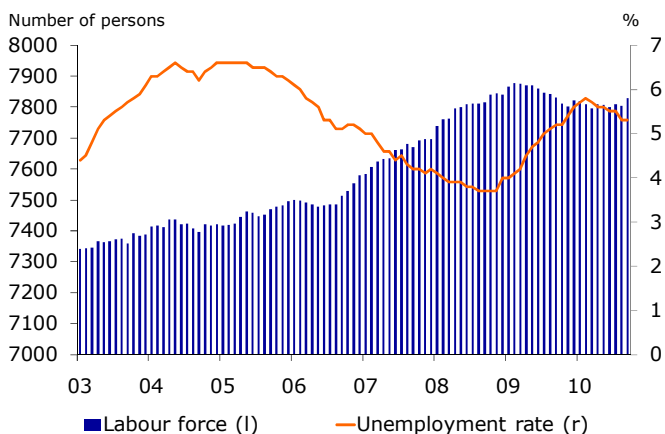
Consumer confidence boosted by greater certainty



Source: Statistics Netherlands (CBS)

Despite the proposed cut-backs by the new government, Dutch consumers are showing more confidence in the future. The confidence indicator rose in October from -14 to -10, the highest level since January 2010. Consumers were less negative about their own financial situation. Clarity about the expected cost cutting may have helped. There is also greater willingness to invest in large purchases. The release of the savings scheme funds in September may possibly be behind this. In August, the volume of consumption was 1.6% higher than a year earlier, with markedly more spending on durable consumer goods (+7.4%).

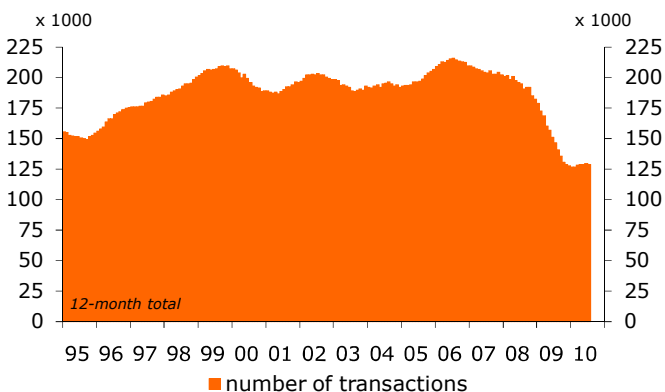
Slight drop in unemployment



Source: Statistics Netherlands (CBS)

In September, there were 2,000 fewer people out of work than in August. This puts the seasonally adjusted unemployment rate at 5.3%. However, the decline was much less marked than the average decline of the six preceding months (over 6,000 per month). This is mainly because the work force has increased by 25,000 people, compared to an average decline of 2,000 during the past six months. The increase was greatest among the youngest and oldest age groups. Apparently confidence in the labour market has grown in these groups. There was also a strong rise in employment, with 26,000 more people at work.

Housing market gradually stabilising



Source: Statistics Netherlands (CBS)

Times have been tough on the Dutch housing market. However, the downward price trend appears to have come to an end. House prices rose during the third quarter of this year for the second successive quarter (+0.1% third quarter and +0.3% second quarter). Although the number of transactions was slightly down in the third quarter (-0.6% q-o-q, 12-month average) the bottom appears to have been reached. The fact that the new cabinet has left the mortgage interest relief unchanged, may give a positive impetus to the housing market in the short term. This applies both to price development and transaction numbers.

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