



3 May 2011

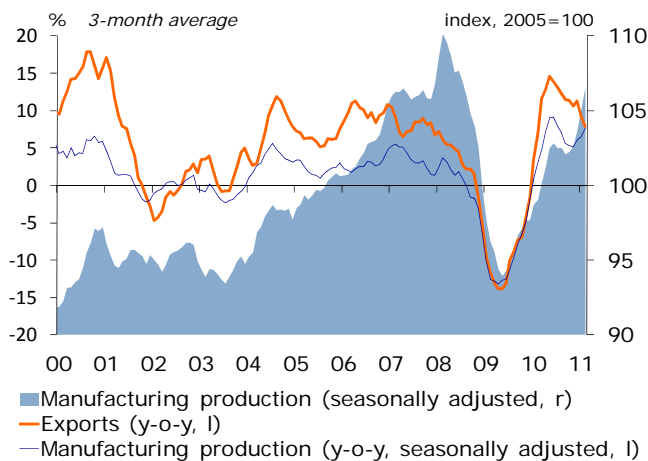
Fair weather effects

	2010	2011	2012
<i>Year-on-year % change</i>			
Gross domestic product	1.7	1½	1½
Private consumption	0.4	¾	½
Government expenditures	1.0	0	-½
Private investment	-4.9	2¾	2¾
Exports of goods and services	10.9	6¾	4½
Imports of goods and services	10.6	4¾	3¾
Consumer price index	1.3	1¾	1¾
Unemployment (% labour force)	5.4	5	5
Government budget (% GDP)	-5.2	-3½	-2¾
Government debt (% GDP)	63.7	66	66½
Current account balance (% GDP)	5.5	6½	7

Source: Statistics Netherlands, Rabobank

One might think that the Dutch economy has fully recovered from the deep economic recession of 2009. Industrial production is posting solid growth and producers are once again as optimistic as they were before the crisis. Unemployment has dropped to 5.1%, one of the lowest rates in the EU. Yet growth in the first quarter may well prove disappointing compared to the previous quarter. Thanks to the warm weather, consumers spent less on fuel, whereas gas consumption in the fourth quarter of 2010 accounted for extra consumer spending. Therefore, despite the strong growth in the industrial sector, growth in the first quarter is unlikely to rise much above zero on a quarterly basis.

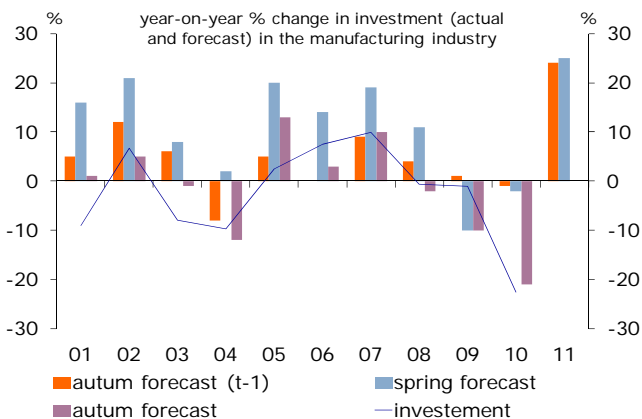
Industrial sector performing strongly



Source: Statistics Netherlands

Industrial producers and exporters have benefited from the rise in global demand. In February, production was running at almost 10% higher than a year earlier. And the pace of growth is picking up. From December to February, growth (momentum) amounted to almost 4% compared to the previous quarter. Late last year, momentum fluctuated around zero. For exports, momentum was strongly negative in February (-8.4%). However, a year-on-year increase in exports was registered (6.6%). While industrial production has not yet emulated the peak of 2008, the level attained in January and February was higher than the average in 2008. Exports had already reached the pre-crisis peak.

Producer confidence back up to pre-crisis level



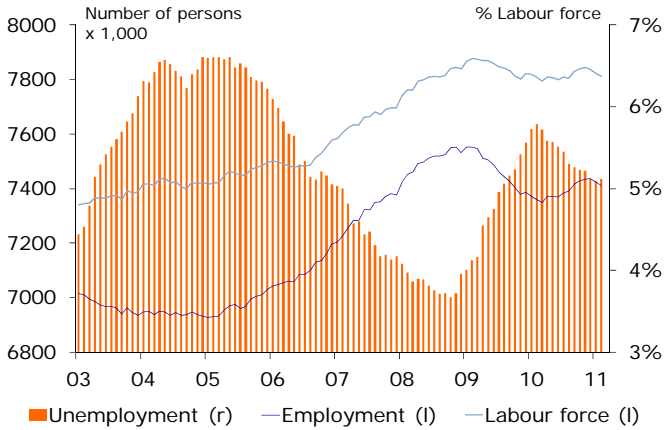
Source: Statistics Netherlands

Favourable developments in the industrial sector have had a positive effect on producer confidence. In March the confidence indicator registered 5.8, the highest score since March 2008. In April, it dropped to 4.6, with industrial producers remaining confident about expected output and order books, but less so about inventories. Moreover, producers expect to invest 25% more in 2011 than in 2010. Most of this will involve replacement investment (40%), while 34% is earmarked for expanding production capacity. However, this will not bring the volume of investment back to the pre-crisis level yet.

Economic Update The Netherlands

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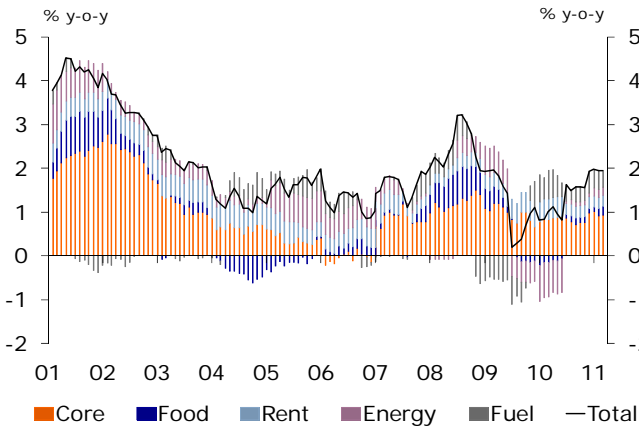
Decline in unemployment; also in employment



Source: Statistics Netherlands

In March, the seasonally adjusted unemployment rate was 5.1% for the fourth successive month. This compares to 5.7% a year earlier. Unemployment declined by 5,000 persons m-o-m. At the same time, employment dropped sharply: in March there were 17,000 fewer people employed than in February. The reason unemployment showed a drop was because the decline in the labour supply was even greater (-22,000). This is partly due to the *discouraged worker* effect - many young people (students) are postponing their entry to the job market; however, a long-term decline in the labour supply is also visible, due to population ageing.

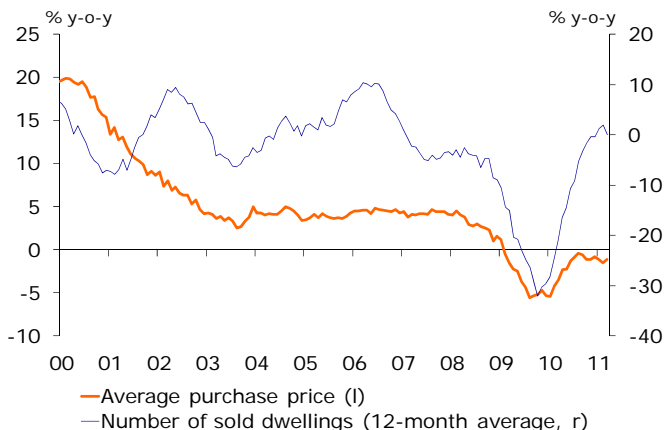
Little rise in consumption, while inflation rises



Source: Statistics Netherlands

The relatively warm weather in the early months of this year led to lower gas consumption, and hence only a modest rise in total consumption. In February, growth was up 0.3% y-o-y, compared to 0.2% y-o-y in January. In 10Q4, the weather was colder than usual, leading to a sharp rise in gas consumption. We therefore expect to see a sharply negative q-o-q effect on consumption growth in the first quarter of 2011. Meanwhile, prices are rising: in March inflation rose to 2%. The rise in the consumer price index in the recent months can largely be attributed to increasing prices for energy and fuel.

House prices still falling



Source: Statistics Netherlands

In March, existing home prices dropped further compared to a year ago, down 1.1%. The average sales price was € 245,000. However, the decline was less marked than a month earlier. In February house prices lost 1.5% compared to a year earlier. Limburg was the only region to register a price rise in March, with the average house price gaining 1.4% y-o-y. On a m-o-m basis, house prices have also dropped - down 1.3%. Since the first quarter of 2009, the decline in house prices has been relentless. On a more positive note, the average number of sales rose in March compared to a year earlier - up by over 9%.

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