



5 March 2013

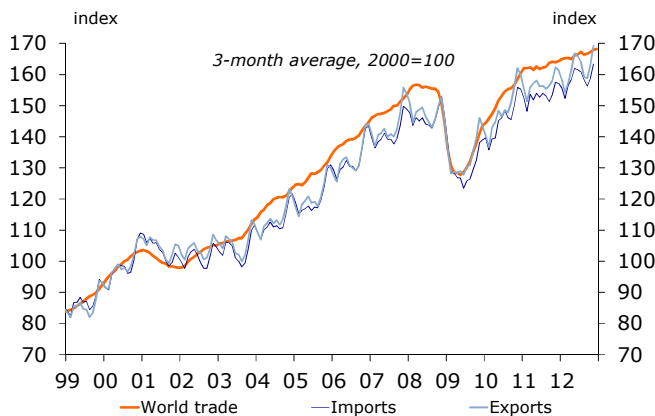
"Triple-dip" a fact

	2012	2013	2014
<i>Year-on-year change in %</i>			
Gross Domestic Product	-0.9	-¾	¾
Private consumption	-1.4	-2	-¾
Government expenditures	0.1	-1	-½
Private investment	-4.6	-3¾	¾
Exports of goods and services	3.1	3½	4½
Imports of goods and services	2.8	2¾	4¾
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Consumer price index	2.8	2¾	1¾
Unemployment (% labour force)	5.3	6¾	7
Government budget (% GDP)	-4.1	-3½	-3½
Government debt (% GDP)	70.8	74	76

In the last quarter of 2012 economic activity declined by 0.2% (q-o-q). The contraction was significantly less severe than in the third quarter, when real GDP shrank by 1%. The weak economic performance of the past two quarters means the Dutch economy is again officially in recession. Although some call this a "triple-dip", we never fully emerged from the last recession, which started in the second quarter of 2011. For the time being, it appears the recession will continue, but growth is expected to pick up during the course of 2013. The recovery will be export driven, while domestic spending will contract further this year.

Source: Reuters EcoWin, Rabobank

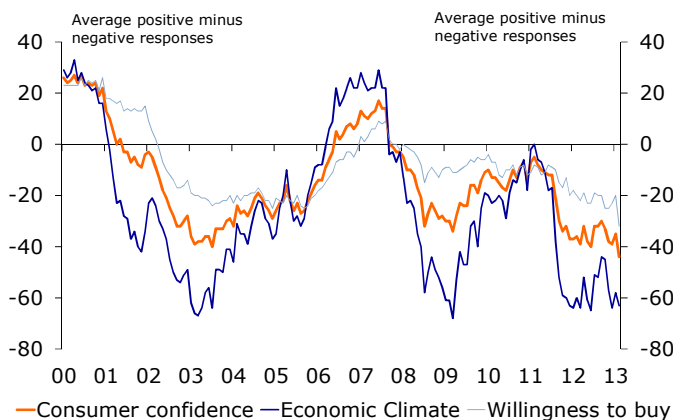
Economy clinging to the lifeboat of trade



While net trade made a positive contribution to growth in the last quarter of 2012 (0.5%), this was not large enough to compensate for the dismal performance of domestic demand. However, the contribution will likely be greater in the second half of 2013. During the course of the year, export growth will receive a further boost from the expected increase in the volume of world trade. Although growth will remain limited in Europe, we envisage a stronger upswing for the emerging economies. And even if direct trade between the Netherlands and the emerging economies is modest, there will be a knock-on effect via trade with Germany.

Source: Statistics Netherlands, Reuters EcoWin

Consumer confidence hits all time low



Source: Statistics Netherlands

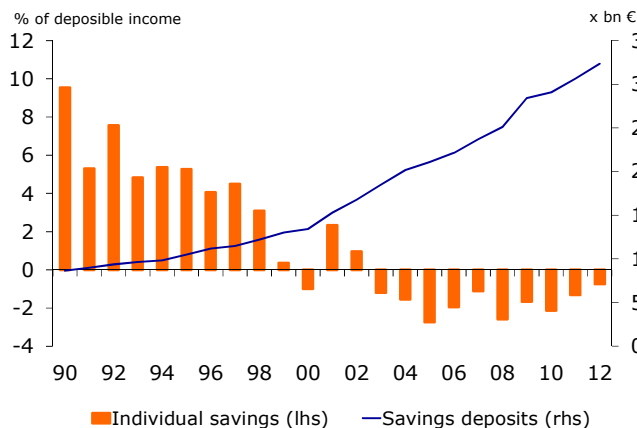
Spending by consumers, producers and government made a negative contribution to growth in the fourth quarter. For the coming year we do not envisage a recovery in domestic demand. The pace of wage growth has been below inflation for some time, putting pressure on consumer resources. In February the consumer confidence indicator recorded a historic low of -44. Perhaps disappointing paylips for the first month of the year had a part to play. Moreover, decisions on pension cuts were made known. Consequently, consumers became considerably more pessimistic about their financial situation. A lot of uncertainty also remains about government policy. Clarity is of the utmost importance for the restoration of confidence.

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Economic Update The Netherlands

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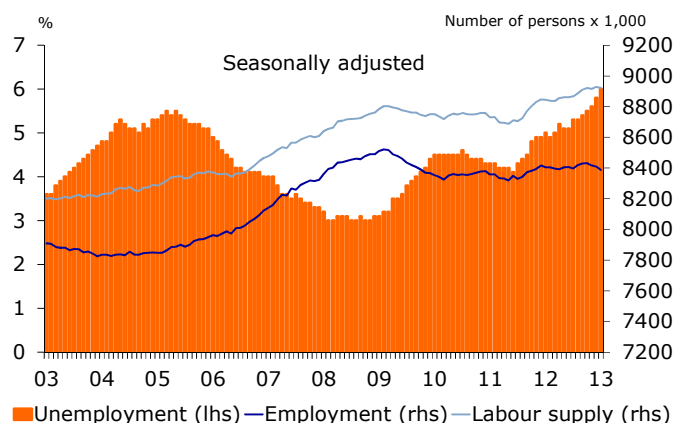
Restored confidence won't lead to spending splurge



Source: Statistics Netherlands

It is unlikely that greater confidence will lead to increased consumption. Currently, consumers are running down their savings. By taking on debt, or reducing their assets, consumers are spending more than they receive in disposable income. Individual savings are therefore negative. The Dutch are not big savers. Often rising savings deposits are cited as proof of increased savings. The deposits are rising because households are keeping their money in more liquid form during these financially uncertain times. Once confidence is restored, they will not retain more capital but nor are they likely to go on a spending spree.

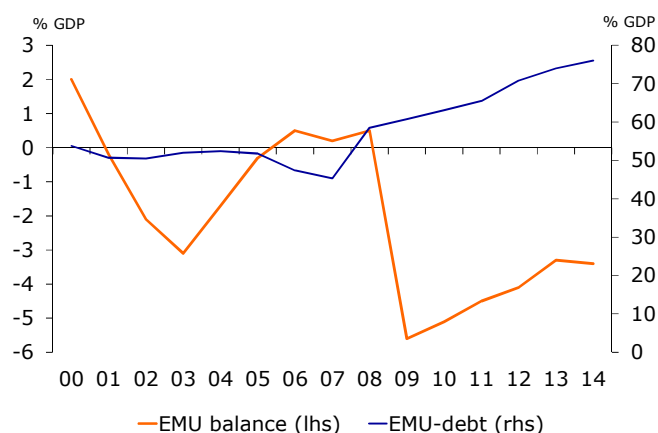
Unemployment rises further



Source: Statistics Netherlands

The prolonged period of economic slump has taken its toll on the labour market. Many companies have (nearly) depleted their financial reserves and are obliged to reduce their staff. The number of bankruptcies is also rising rapidly. These developments have resulted in a decline in job opportunities, resulting in rising unemployment. According to the international definition, 6% of the workforce was unemployed in January. For the rest of the year we envisage a further drop in employment, in both the public and private sectors. On balance, unemployment is expected to rise to 6½% this year.

Extra cut-backs may not reap rewards



Source: Netherlands Bureau for Economic Policy Analysis

Despite considerable retrenchment, the deficit ratio for 2013 is likely to be 3½% of GDP. This is above the level of 3% recommended by the European Council. Although, respite is likely to be given this year, the 3% norm will be mandatory for 2014. The projected deficit ratio of 3½% in 2014 means that further austerity measures have to be taken. This will further restrict economic growth, making it more difficult to reduce the deficit. Because of liquidity restrictions for households, combined with unaccommodating monetary policy and austerity throughout Europe, the economic effects of further cut-backs are greater now than would normally be the case.

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