

## More help for Dutch consumers after longer-lasting technical recession

The Netherlands, which is already in a technical recession, is set to record yet another quarter of contraction in the third quarter. New proposals by parliament to support the purchasing power of low-to-middle-income households may provide a small boost via more consumption



The Dutch economy has been struggling. Pictured: shoppers in Amsterdam

### Hard indicators point to yet another contractionary quarter

Looking at the hard data, July was a bad month for GDP. Domestic consumption of households, goods exports and investment, in particular, fell in constant prices, while imports expanded. Manufacturing production contracted in July, while mining & quarrying (i.e. gas production) and construction expanded. Retail sales and car registrations fell in July-August. Furthermore, surveyed non-financial businesses became [more pessimistic](#) about sales/production in August and even more so in September. One of the few positives for service exports is the rise in the number of overnight stays of foreign visitors. All in all, we are projecting another mild GDP contraction for the third quarter.

[The Netherlands falls into a technical recession](#)

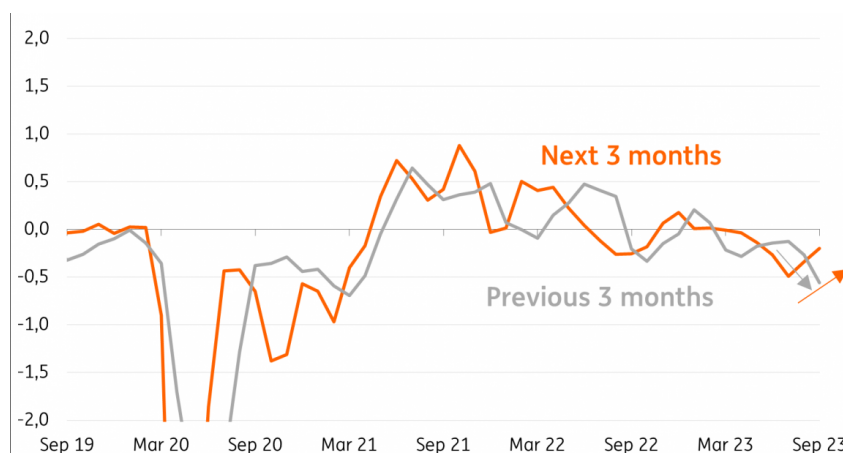
## Improvement expected for the fourth quarter

There are signs, however, that the Dutch economy will perform a bit better in the fourth quarter than in the preceding three months, even though the fourth quarter looks worse than the third for the rest of the eurozone. The [Economic Sentiment Indicator](#) for the Netherlands moved up slightly for two months in a row in August and September. This was mostly thanks to the large service sector. Underlying indicators for expected demand and production improved for industry, retail and commercial services in September.

Consumers have generally remained quite downbeat in recent months. However, one positive sign for consumption going forward is that house prices have stopped declining, with a significant increase recorded in August following two months of stagnation. Furthermore, wage increases will more clearly outpace inflation in the fourth quarter and beyond. This, combined with an expanding public sector and a little export growth, will need to offset a forecast decline in investment.

## Expectations improved despite more backward-looking pessimism

Indicator for (expectations of) development of activity\* of non-financial businesses



\*Judgement about production/orders/demand, value added weighted seasonally adjusted balance of % positive and negative responses, normalised with long term average = 0 and scaled to 1 standard deviation

Source: European Commission via Macrobond, calculations ING Research

## Changes in government spending might provide a small boost via higher consumption in 2024

Meanwhile, more growth can be expected from consumption in 2024 than assumed previously, as parliament has proposed amendments to the government budget worth 0.4% of GDP. These measures, such as the freezing of fuel excise taxes, higher minimum wage and higher statutory pensions, should support low (middle) incomes. The policy changes come on top of the 0.2% of GDP package of purchasing power measures which has [already been proposed by the government](#).

The [government advised against many of the proposals from parliament](#) because these are often untargeted and in many cases, against the government's own fiscal rules (e.g. additional

expenditures have to be financed by cuts in other expenditures). The government has also indicated that the accompanying proposed revenue measures are not as easy to implement (as of 1 January 2024) or as big as portrayed, which means that some changes will have to be made. This week, the debate continues.

Assuming that at least some measures will be adopted, we have raised the profile of the consumption of households a bit. This is because we expect some redistribution from firms, the wealthy and higher incomes (with a low marginal propensity to spend) to low (middle) incomes (with a high propensity). The expected effect on the budget balance is negligible, as we expect only funded measures to be adopted. Still, this should allow for positive GDP growth in 2024 (0.7%).

## Author

**Marcel Klok**

Senior Economist

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.