

## Dutch economic sentiment recovers

The Economic Sentiment Indicator for the Netherlands rose from 110.5 in April to 111.7 in May which supports our outlook for above-potential growth for the second quarter



Source: Shutterstock

While consumer confidence fell a little in May, possibly due to increasing fuel prices and a less positive outlook for the year ahead, business confidence rose in all sectors, including retail trade and construction. In industry, production fell slightly in recent months and production expectations and new orders including export orders were more favourably judged. Commercial services were more upbeat both about the demand in recent as well as the coming months.

With the disappointing trade performance in the first quarter, Dutch GDP growth fell from 0.7% in 4Q to 0.5% QoQ 2018, in line with the slowdown in the Eurozone as domestic demand turned out very strong in the first quarter. Continued momentum in the housing market, increasing employment, upward wage pressure, above average levels of both consumer and business confidence as well as fiscal expansion are expected to boost domestic demand further in the second quarter.

While not at historical records, the current level of the ESI for the Netherlands is favourable going forward.

After two months of decline, the increase in sentiment in May led by industry and retail trade suggests the slowdown in GDP has stopped and we are in for a solid second quarter. Judging by the increase in export orders and the fact that economic sentiment has stopped falling across the Eurozone as a whole supports our call that trade will bounce back and the growth won't fall any further.

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