Dutch GDP better than headline figure suggests

Dutch GDP expanded in the fourth quarter of 2024 by a decent 0.4%. Investment boomed in anticipation of changes to taxation, while reductions in gas storage contributed to a large inventory reduction. Exports and consumption expanded considerably, signalling solid underlying growth

0.4%

GDP growth rate

4Q24 (QoQ)

As expected

Investment jumps and inventory in freefall amid broad-based growth

The fourth quarter was marked by several temporary factors, with large movements in investment and inventories. Investment expanded by the unusually high rate of 3.0% quarter-on-quarter (QoQ) adjusted for seasonal effects, providing 0.7 percentage points to GDP growth. Companies brought forward the purchase of trucks and especially vans. Several policy changes incentivised the purchase in 2024 as opposed to later:

- As of 1 January 2025, the subsidy on purchases of electric trucks was limited to fewer types of trucks.
- The exemption for businesses and entrepreneurs on the car and van purchase tax was abolished and is now heavily emission-dependent.
- And zero-emissions zones in cities became more restrictive.

As a result, investment in transportation equipment was up by 23.4% QoQ in 4Q24, and will most likely be lower than usual in the current and coming quarters. The purchase of ICT equipment, machinery and R&D also rose (much more moderately), while investment fell in all types of real estate and in software & databases.

Despite the big jump in investment, it was net exports (exports minus imports) that provided the largest contribution to GDP growth by expanding 0.9% QoQ. This was due to a strong goods trade performance: goods exports were up 1.6% while goods imports contracted by 0.1%. Adjusted for season variations, unusually little gas was imported, while growth in the value added figures suggests that the agricultural sector, among others, had a good export quarter. Service trade was down, however.

Consumption by households expanded by a considerable 0.9% quarter-on-quarter, even better than the signals from our ING transaction data. This expansion was facilitated by a rise in purchasing power, as contractual wages rose 6.6% year-on-year while HICP consumer prices increased by *only* 3.7% YoY.

In accordance with the expansionary fiscal policy of the current government and the trend of ageing, public consumption continued to rise in the fourth quarter, also expanding by a considerable 0.9% QoQ. Healthcare consumption, in particular, was higher.

So far, so good; most expenditure developments were quite positive. But the change in inventories had a very significant downward effect on the development of GDP in the fourth quarter of no less than 1.7 percentage points. It was by far the largest inventory reduction on record. An important cause was the reduction in gas storage, which was likely also due to the jump in sales of transport equipment.

Continuing solid growth when looking beyond the one-offs

The 0.4% QoQ for GDP in the fourth quarter was on the lower end of our forecasting range (0.4%-0.8%), as the reduction in inventories was much larger than anticipated. As this is at least to some extent weather-related and driven by the one-off boost to transportation equipment sales and therefore likely to be temporary, it suggests that underlying growth was better than the GDP number signals. At the same time, we have to take into account that the boom in transport equipment in the fourth quarter was also temporary and will weigh on investment in the first quarter and the quarters thereafter. Also, when gas storage is increased, imports will catch up as well. These forces will suppress the GDP figure at the start of 2025.

Still, we are moderately optimistic about domestic demand for now. As wages are expected to continue outpacing prices, consumption by households is likely to remain on its expansionary path. We also expect the expansionary trend in public consumption to continue, as underlying political and demographic forces remain. Trade is more uncertain though, with tariff hikes looming for European products. For now, we assume that exports will be boosted somewhat in the first quarter of 2025 in anticipation of US policy changes. Goods exports might suffer a weaker growth pace thereafter.

All in all, despite the considerable volatility in expenditure components that could be seen under the hood, we got confirmation that the Dutch economy is growing steadily and is expected to continue to do so. No boom, as a naive reading of investment figures may have suggested, but no standstill either.

Author

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com