

Trade performance boosts Dutch GDP despite trade conflicts

Dutch GDP growth increased to 0.7% QoQ, in contrast with stagnant growth in the Eurozone. While the realised figure for the Netherlands slightly beats expectations, our forecast remains unchanged for the year at 2.8%



Source: Shutterstock

0.7%

Netherlands GDP growth rate

2Q18 (QoQ)

Higher than expected

Netherlands GDP growth in the second quarter was mainly driven by trade, a small positive contribution of investment and minor positive growth in government consumption.

Trade war talk affected sentiment in industry, as shown by purchasing manager indices, causing new export orders to fall. Positive export growth figures in April and May however compensated for

weak export figures in June. In fact, trade rebounded in the second quarter from an unusual and unexpected weak 1Q. While exports increased by 0.9% QoQ, imports fell by 0.1% quarter on quarter especially in 2Q. Especially merchandise exports contributed positively, with a growth of 1.1% QoQ. Services drove the decrease in imports, showing an import decline of 1.1% QoQ.

Given the 2Q number, we maintain our GDP growth forecast of 2.8% for 2018. Compared to other European countries this remains above average

Investment growth decreased, but with 0.7% QoQ remained positive. The booming housing market keeps continuing to contribute to growth. Residential investment growth slowed down to 1.1% in 2Q (1.8% QoQ in 1Q), reflecting increasing capacity constraints and prices in the construction sector. Transport equipment investment fell almost 9% QoQ in 2Q, after strong growth in 1Q. Businesses, however, accelerated investment in machinery & other equipment, with growth increasing to 2.8% QoQ. Also, investment in intangible assets such as R&D was increasingly popular, growing with a strong 2.0% QoQ.

Household consumption disappointed after a strong 1Q, showing hardly any growth in 2Q. Food, as well as non-food retail consumption, went up, but car sales fell after a strong increase in 1Q. Consumer confidence remains far above historical averages. Government consumption increased by 0.2% QoQ, in line with medium-term fiscal plans.

Sector-wise, the main engine of growth in the first quarter was commercial services again (0.9 % growth QoQ), adding 0.4%-points to GDP-growth. Construction, came second with 4.2% QoQ. Industry continued to grow, by 0.6% QoQ, despite softening of survey indicators. Also, agriculture and fishing production grew, by 0.5%, and thereby recovered from a decline in 1Q. Mining and quarrying (i.e. gas) production fell 7.9% due to a recent shutdown of a minor production facility in the earthquake-stricken Province of Groningen.

While the labour market is tightening further, employment is still rising at a considerable pace: 52K extra jobs were created (+0.5% QoQ) in 2Q18. The number of unemployed persons per open vacancy keeps dropping - and fell to 1.4 in 2Q18. This is close to the 2008 record low of 1.3.

In fact, the number of vacancies has never been higher than the 251 thousand reported at the end of June 2018. Also, wage growth started to show signs of acceleration (with collective wage agreement showing an average hourly wage growth of 2.2% year-on-year in July 2018, compared to 1.3% in July 2017), supporting private consumption going forward.

Given the 2Q number, we maintain our GDP growth forecast of 2.8% for 2018. Compared to other European countries this remains above average.

Author

Marcel Klok

Senior Economist, Netherlands

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 www.ing.com.