The Netherlands: A relatively mild decline in GDP so far

Dutch GDP fell by -1.7% QoQ in 1Q20, suggesting that the economic impact of the coronavirus was mild, at least in international comparison. The “intelligent lockdown” as it has been dubbed by PM Rutte has paid off economically thus far, although the second quarter is likely to be much worse

Dutch Prime Minister, Mark Rutte

-1.7%

GDP growth rate

1Q20 (QoQ)

As expected

Intelligent lockdown is a relatively mild lockdown

The decrease in GDP in the first quarter came nowhere near the decline of -3.6% QoQ in 1Q09 during the global financial crisis and was smaller than the eurozone average of -3.8%. Given the Dutch economy's high degree of openness and the fact that Dutch expenditure data for January and February was disappointing, the small GDP decline might be a bit surprising. What stands out as more important, however, is the relative mildness of the Dutch lockdown compared to many European peers. Google Covid-19 Community Mobility Reports already showed visits to 'grocery stores', 'workplace' and 'retail shops' fell less in the Netherlands than elsewhere. Even though bars, restaurants and hairdressers were also forced to close in the Netherlands, this observation is in line with the fact that the Dutch have been able to shop, didn't require licenses to travel and could operate their factories throughout the so-called "intelligent lockdown".

Both domestic spending and expenditures abroad declined

On the expenditures side, exports (-3.0% QoQ), household consumption (-2.7%) and government consumption (-1.4%) declined most. Also, investment (-1.1%) fell. This was counterbalanced by imports development of -3.5%: the net effect of trade was close to 0.

Manufacturing decline not at all in double digits yet

From an industry perspective, there was one clear positive note: construction expanded by 5.5% QoQ. Also, agriculture and fishery increased its value-added. The large "commercial service sector" declined by -1.6.% QoQ, non-commercial services by -3.3.% and gas and oil by -8.8%. The retail component of commercial services (excluding fuel and pharmacies and including webshops), however, managed to increase volumes by 0.7%, illustrating that consumers continued some of their purchases; there was a shift from non-food (-1.8%) to food (+3.0%).

Manufacturing declined only by a limited -1.7% QoQ, much less than in other European economies. Looking ahead, while the composite manufacturing NEVI PMI (purchasing managers' index) did not hit a record low in April, expectations for order books, production and delivery times have never been more pessimistic. This suggests that a manufacturing slump will mainly show in figures for the second quarter. An unprecedented decline in consumer confidence suggests that retail may also see worse numbers in the current quarter, even though the lockdown will be eased gradually in the second.

2020 worse than 2009

Making economic forecasts is extremely difficult in the current uncertain environment. Therefore, ING Research is working with different scenarios to look at possible GDP growth outcomes. Our base case contains a fall of GDP for the year 2020 of -6% to -8%. Despite today's mild 1Q figure, we believe that this is an outcome that might still be on the cards. Google Mobility data showed that while travel initially fell less in the Netherland than in many other countries, more recent data shows that activity has also increased less than elsewhere during 2Q. So the Dutch economy is bracing itself for a larger full lockdown fallout in 2Q. Such an outcome would imply a bigger annual decline in GDP than the of -3.7% of 2009 during the global financial crisis.

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