# The Netherlands: Solid GDP as global economy slows

While leading indicators point to a slowdown in the Dutch economy, the Netherlands still delivered a solid performance in 4Q. GDP grew by 0.5% quarter-on-quarter, according to the first estimate of Statistics Netherlands. Worse figures were feared after manufacturing production took a nosedive of almost -4% month-on-month in December

Source: Shutterstock

0.5% GDP growth rate

4Q18 (QoQ)

Consumer confidence has fallen month after month but households nevertheless stepped up their spending by 0.5% QoQ in 4Q. While the labour market is already starting to become a supply side restriction to growth, the number of jobs still rose by 50,000 (0.6%) QoQ in 4Q18, adding to the positive domestic spending momentum. Government consumption also increased by 0.5% QoQ, although 2018 fell short with respect to the expansionary medium-term fiscal plans.

Investment recovered from a decline in 3Q, growing 0.7% in 4Q. Businesses invested 4.0% more in transport equipment while scaling down expenditures on machinery & other equipment (-1.1%). Investment in commercial real estate, ICT-equipment and intangible assets remained roughly constant. Residential investment increased 2.7% QoQ while the number of home sales has already started to normalise.

In line with a weaker trade environment, both exports (-1.3%) and imports (-2.1%) fell quarter on quarter. In part this is due to the fact that a multinational moved part of its business abroad. On the export side, mainly goods exports (-1.7%) fell, while on the import side, services (-4.6% QoQ) fell most and considerably so.

Sector-wise, commercial services were the main engine of growth, growing by 0.3% QoQ. Construction recovered from a decline in 3Q, with growth of 0.1% QoQ in 4Q. Manufacturing declined by -0.4%. While housing market and construction-related industries performed well, most manufacturing industries scaled down production. Producers of transport equipment, electronics, machinery and food took a considerable hit.

The GDP figure for 2018 came in at 2.5%, falling just short of our earlier downward revised projection of 2.6%. The fourth quarter figure confirms our expectation that the Dutch economy will be able to grow faster than the eurozone average. As long as major external risks remain, such as a hard Brexit, a deepening of the Italian recession and an escalation of the trade war, the probability of revisions to our existing GDP forecast for 2019 of 2.0% remains elevated.

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