

The Netherlands' economy rebounds to 3% below pre-crisis peak

Dutch GDP in the third quarter of 2020 turned out better than expected, growing by 7.7% (QoQ) given temporarily looser social distancing measures. It got to 3.0% below the peak of 4Q19, better than many European peers, perhaps due to effective fiscal policy, a loose lockdown earlier in the year and a favourable sector composition



7.7%

The Netherlands GDP

3Q20 (QoQ)

Better than expected

Level of GDP rebound stands out favourably compared with others

The Dutch economy became 7.7% larger compared to the second quarter of 2020 but was still

3.0% below the peak in GDP of 4Q19. While this performance is better than that of many other eurozone economies, it still means that the Dutch economy was operating only at 97% of its output of 4Q19; it hasn't yet managed to recover fully. This relatively favourable GDP performance, which might speculatively be related to a combination of the comparatively looser "intelligent lockdown" during the first wave of the virus, to the size and effectiveness of the fiscal support policies and to a favourable sector composition (tourism is relatively small), has not translated into a superior labour market outcome. The unemployment rate actually rose more than in many other eurozone economies.

Better than expected rebound due to favourable consumption and exports

As in other countries, the high growth rate quarter-on-quarter was mostly a mechanical rebound that resulted from the unwinding of the lockdown in March-May. It turned out more favourable than anticipated. Consumption and exports particularly contributed most to growth compared to the second quarter, with respectively 9.4% and 8.6% growth quarter-on-quarter. Gross investment was up as well, although more modestly (6.3%). Government consumption expanded by 6.3%, shooting 1.6% above the level of 4Q

Rebound in goods much better than in services

Household consumption did particularly well in terms of growth. Recent monthly figures for households' domestic consumption show that service consumption rebounded until September to a level of 8% below the pre-Covid peak, while goods' consumption reached levels even higher than before the crisis. Since consumer confidence is low, substitution must be part of the explanation: households used part of their foregone spending on holidays and recreation to buy more goods such as electronics and supplies from the hardware store. A similar pattern emerges from the export figures: while service exports increased modestly by 3.4% compared to 2Q20 to 11% below the level of 4Q19, Dutch goods exports rebounded by 10.4% to only 2.1% below the level of 4Q19.

Despite good figures, an upward revision for 2020 is unlikely

While service production still seemed largely subdued in 3Q20, recently reinstated social distancing measures will push down services again in 4Q20. All in all, a general decline in GDP in 4Q20 seems unavoidable, as both domestic and foreign demand will take a step back. Given the better-than-expected rebound in 3Q20 and the expected decline in 4Q20, our GDP forecast for 2020 may not change that much. We'll have much more on that in our Global Outlook 2021 next week.

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 <http://www.ing.com>.