

The Netherlands exits its shallow recession

The Dutch economy expanded in the fourth quarter of 2023, and the technical recession in the Netherlands has now come to an end. GDP grew 0.3% quarter-on-quarter, in line with forecasts. The expansion was driven by private consumption, while public consumption and exports also saw improvements



Overall, we expect consumption to be the main growth driver in the Netherlands this year

0.3%

GDP growth rate

4Q23 (QoQ)

As expected

Purchasing consumer as the driving force

Household consumption expanded significantly (+1.8% QoQ seasonally adjusted) after three quarters of decline, on the back of a high contractual wage increase of 6.9% year-on-year. It provided by far the largest contribution of 0.8ppt to GDP growth in the fourth quarter. Dutch

households purchased more domestically and abroad, contributing to the increase in imports. There were more purchases of durable goods and especially of services within the Netherlands, while growth in domestic consumption of food and beverages stagnated.

Government consumption rose as well, albeit at a slower pace (0.4%) than in previous quarters. Employment also increased, especially in public administration and education.

Like private consumption, Dutch international trade also showed the first signs of a turnaround. It expanded mildly after three contractionary quarters, but the net contribution of the trade balance (exports minus imports) to the GDP was close to zero due to a similar increase in imports. The positive trade developments were only visible in goods trade, as service exports and imports contracted. Foreign consumers bought more in the Netherlands, contributing to a rise in exports in the fourth quarter.

As expected, investment contracted for the second quarter in a row, falling by a significant 2.1% compared to the third quarter. There were fewer purchases of transport equipment, but the contraction was more broad-based and investment in machinery, software, housing and commercial buildings also contracted. Only investment in ICT equipment and research and development (R&D) rose. Because businesses still considered inventories as “too large”, an inventory reduction also put a drag on total investment growth and thereby on GDP growth. This also included a reduction in the storage of gas. Looking forward, we expect this investment to contract further during 2024, as higher financing costs will have a delayed negative effect on the cost of capacity expansion.

Signs of growth finally emerge for manufacturing

Among Dutch industries, especially within recreation and culture, agriculture, fishery and manufacturing all expanded. The return of growth in manufacturing is significant since it follows five contractionary quarters caused by high energy prices and weak global trade. The semi-public sector (government, education and health), real estate and business services also improved. Not all was positive, though; mining and quarrying (i.e., oil and gas, related to the closure of the Groningen gas field), the energy supply sector, water and waste, financial services and construction all showed a contraction of value added. Looking at subsectors within manufacturing, the picture is still very mixed as well. Sectors producing investment goods, such as machinery, electronics, and transport equipment, remained in contraction territory.

Outlook of continuing nonbuoyant growth for 2024

The outturn for the fourth quarter of 2023 was very much in line with [our forecast of 0.2%](#), both quantitatively and in terms of underlying drivers. As a result, the outcome will not change our view on developments in 2024. Because of revisions in previous quarters and statistical carry-over effects, it looks like the Dutch economy is heading for around 1% growth in 2024. This is still below the long-term growth potential. While investment will remain a drag, the main growth driver will be consumption. This includes public consumption, despite the fact that a new government hasn't yet been formed yet following the November 2023 parliamentary elections, as aging and policy paths initiated by the previous government are still causing higher spending.

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>.