

Dutch GDP - expands yet again!

The Netherlands economy expanded by 0.5% in the first quarter of 2019, in line with ING forecasts mainly driven by strong investment growth and stock building. The figure strengthens our forecast of 1.8% GDP growth for 2019



0.5% GDP growth rate
1Q19 (QoQ)

As expected

The Dutch economy is back in normalisation mode after a very strong 2018, with somewhat lower employment growth restricted by limited spare capacity and a fall in the number of house sales. Nevertheless, growth remained solid in 4Q18 and now again in 1Q19.

The bulk of growth in the first quarter came from investment, both capital formation (2.1% growth QoQ seasonally adjusted) as well as stock building (0.4%-point contribution). Especially investment in commercial real estate & infrastructure (4.1% QoQ), machinery & other equipment (2.8%) and transport equipment (2.0%) performed well, while investment in intangible assets fell -0.4%.

After a very strong 2018, a considerable normalisation of growth was expected. The first quarter figure strengthens our forecast of 1.8% GDP growth for 2019

Household consumption disappointed with a meagre 0.1% growth, slowing down in line with lower consumer confidence, higher inflation and slowing employment growth. Job growth still remains high but slowed down from 0.6% in 4Q18 to 0.5% in 1Q19.

Exports also expanded by 0.8% but the strong import growth (1.6%) turned net contribution negative. Both goods and service exports increased by 0.8% and 0.9% respectively.

From an industry perspective, the 0.4% QoQ commercial services growth was subdued but nevertheless, was the largest contributor. The gas sector (10.3%) expanded most, followed by construction (3.3%) and the energy sector (1.7%). Despite headwinds on the world trade market, manufacturing expanded by 0.7% too.

After a very strong 2018, a considerable normalisation of growth was expected. The first quarter figure strengthens our forecast of 1.8% GDP growth for 2019.

During the course of the year, we expect the quarterly profile to weaken a bit, as increasing employment will become very challenging. Domestically the most important risk to our forecasts, both to the upside and the downside, is government spending: plans are to expand but the tight labour market is close to full capacity. The major downside risks remain external, especially the ongoing trade conflict as well as a no-deal Brexit.

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>.