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%

As expected

GDP growth rate

1Q19 (QoQ)

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%.

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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.

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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.

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