

The Netherlands: GDP growth remains solid

The Dutch economy continued to perform well in the final quarter of last year, with 0.4% GDP growth (quarter-on-quarter) for the fourth time in a row, amid weak growth in the eurozone. Both domestic and external demand held up well



Source: Shutterstock

Broad-based growth

Growth was broad-based, resulting from increases in household (0.7%) and government consumption (0.3%), investment (1.2%) and exports (0.7%). Imports (0.6%) did not keep pace with exports, resulting in a positive contribution of net trade. Changes in stock building depressed GDP growth by 0.4 percentage points.

Manufacturing the top performer with even better prospects ahead

From an industry perspective, the large commercial service sector, which expanded by 0.6% QoQ, had the largest contribution to GDP growth. Dutch manufacturing expanded the most of all broad sectors, in contrast to many of its European peers. The slump appears to be more limited in the

Netherlands. Looking ahead, while the NEVI PMI (purchasing managers index) is still below the level consistent with growth, it increased considerably between December and January.

Investment growth despite effect of environmental policies

Investment developed solidly, increasing by 1.2% QoQ. On the one hand, it is not entirely surprising that investment in buildings (housing, infrastructure and commercial real estate) fell by 1.3%. Environmental policies disrupted (mostly temporarily) the permit and construction process. This resulted in a 1.9% QoQ contraction of value added in the construction sector.

On the other hand, the fiscal treatment of (electric) cars might have inflated investment figures (by roughly 2 percentage points) in the fourth quarter. Investment in transport equipment soared 21%. Car sales turnover went up steeply, boosting investment figures (since many cars are being leased rather than bought by consumers). In part, this was driven by subsidies for electric cars which changed on 1 January 2020, incentivising purchases before the end of 2019. In particular, sales of Teslas, with an above-average price tag, soared. This will most likely result in a negative rebound effect in the first quarter of this year.

Despite external uncertainties, growth numbers for 2019 came in as expected

For 2019 overall, the growth figure came in at 1.7%. This was in line with our projections. With hindsight, this is somewhat surprising given the global political (trade) uncertainties that characterised last year. Combine that with the relatively flat profile of quarterly growth, and 2019 could be considered a lacklustre year.

Outlook for decent growth in 2020 confirmed

A solid close to 2019, which should yield a decent carry-over effect, confirms our projection of 1.5% growth for 2020. This implies only a limited slowdown. If the coronavirus were to drag on during the course of 2020 and become more prevalent in the Netherlands, downward revisions may be necessary. Other major risks to the Dutch outlook are a weak Brexit trade deal or the absence of one by the end of 2020, an escalation of the trade war, and domestic environmental policies that disrupt areas such as construction more than currently projected. For now, the Dutch economy is still going strong.

[Outlook 2020 - The Netherlands: A milder slowdown thanks to fiscal policy](#)

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>.