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

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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 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

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