Growth in the Netherlands on track to rebound to pre-crisis levels this quarter

Dutch GDP increased by 3.1% (QoQ) in the second quarter of 2021, recovering to just 0.9% below its pre-crisis peak. While some social distancing policies were reinstated for bars, restaurants and events in August, current restrictions leave ample room for the growth recovery to be completed soon

Young people at a Dutch cafe

3.1%

Dutch GDP growth rate

2Q21 (QoQ)

Higher than expected

Consumption leads the rebound as restrictions ease

Dutch GDP expanded by 3.1% in the second quarter of 2021 compared to the preceding quarter, following a quarter of mild decline (-0.8%). A significant reduction in the number of new Covid cases per day and falling hospitalisation numbers has led to the continuation of the step-by-step loosening of social distancing measures in the second quarter. Almost all activities were allowed again at the start of the summer, although some restrictions remain. Offline retail, bars & restaurants, and events benefitted noticeably, coinciding with a growth of household consumption of 5.7% quarter-on-quarter in 2Q21. Household consumption came in at 94.8% of its pre-crisis peak of the fourth quarter of 2019 and provided the largest contribution to GDP growth (2.3%-points). The expansion in offline sales and service consumption to some extent came at the expense of online sales.

While government consumption had already recovered to its pre-crisis level, it also rose in the second quarter of 2021, 2.6% quarter-on-quarter. Gross investment declined by -1.8% compared to the first quarter. Investment in transport equipment (-13%) and infrastructure (-4%) decreased, while gross capital formation increased most notably in ICT equipment (+12%). Changes in inventories had a significant negative contribution on the GDP growth figure (-0.9%-point).

Exports continued to grow, by 4.0%. While goods' exports expanded by 3.8% QoQ, services exports grew by 4.2% QoQ in the second quarter. That said, service exports were only at 87% of their pre-crisis peak of the fourth quarter of 2019. Also taking into account the 2.6% expansion of imports, net trade had a positive contribution to GDP development of 1.5% points in the second quarter and therefore was also one of the main drivers of the above-average eurozone GDP growth rate.

Taking the sectoral perspective, growth was quite broad-based. Trade, transport & hospitality (5.0%), non-commercial services (3.7%), IT (3.6%), the manufacturing industry (2.7%) and commercial services (2.4%) all showed solid growth figures, while value-added fell in the construction sector (-1.8%)

Possible upward revisions to the outlook: GDP rebound nearly complete

A new wave of Covid infections began again in the summer, topping at more than 11 thousand cases per day in the middle of July. Some restrictions for bars & restaurants and events were reinstated. Currently, the reproduction rate is estimated at below 1 again. While virus developments remains a risk for the outlook, we believe that the GDP rebound will continue in the third quarter as we see the recently reinstated social distancing measures as only mildly limiting economic activity.

Today’s second-quarter numbers were better than our forecast (which was 2.3% QoQ for GDP). All in all, this means that we still expect GDP to be back to its pre-crisis peak by 3Q21 and that year-on-year growth for 2021 might be approaching 4% rather than 3%. While unemployment continued to fall until June (3.2%) and the number of bankruptcies reached a new low in July, we do expect these numbers to mildly increase again when most temporary public support measures will be phased out by the end of September. Meanwhile, political parties are still in the process of forming a new government. That said and not discounting the remaining uncertainties surrounding the Covid situation, the rebound of the Dutch economy looks very solid, at least for the moment.

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