

## The Netherlands GDP: Stubbornly steaming ahead

Dutch economic growth beat the eurozone average by some margin as it came in at 0.5% QoQ in the second quarter. The question is how long this resilience can last if the global growth slowdown persists?



Source: Shutterstock

**0.5%** GDP growth rate  
2Q19 (QoQ)

A Dutch saying goes that when the German economy sneezes, the Netherlands gets a cold. However, that loud sneeze (-0.1% QoQ) from the east in 2Q19 seems to have largely passed the Dutch economy by. The Dutch seem to have taken their flu shot in the form of strong domestic demand, but also delivered a favourable trade performance.

While surveys pointed to a stabilisation in consumer confidence in 2Q19 after a long period of increased pessimism, the strong labour market boosted households to continue spending (0.8%

QoQ). Investment growth (+1.3% QoQ) held up well too: businesses are still investing more in transportation equipment (3.6% QoQ), intangible assets (2.9%) and machinery (1.2%) as well as new homes (1.2%). A large contribution of net trade (0.6%-point), with exports growing 1.3% QoQ, did the rest. Even though global worries do cloud the outlook, we stick to our relatively optimistic growth outlook of 1.7% GDP growth for this year.

Domestic demand flourishes on the back of the labour market breaking record after record: vacancies have never been higher, quarterly unemployment has never been lower. Searching carefully, we see some hints of the impact of the trade war in the numbers: jobs at temp agencies hardly grew and vacancies in the transport sector also declined somewhat. But we certainly need a looking glass to find these, while supply-side constraints were probably a more important limitation to employment growth in 2Q19.

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Strong growth figures for the recent past by no means promise full immunity for future developments. The sensitivity of this exporting nation to a German slowdown in industry and a no-deal Brexit is relatively high. Proof of sensitivity to worsening external conditions is already visible in this year's growth number, a slowdown from last year's 2.6% to 2.0% in 2Q19 year on year. With two strong quarters of growth already in the pocket, our outlook means we do see this trading nation losing some steam in the second half of this year. But for now, the glass is half full and given problems elsewhere, the continuation of a cruising speed for the Netherlands is all the more remarkable.

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