

The Netherlands: heading for strongest growth in a decade

Dutch GDP expanded more than expectations and seems to be well underway to end the year with the strongest figure in 10 years



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Dutch GDP continues to fire on all cylinders. In 3Q16, GDP rose 0.4% quarter-on-quarter, with both domestic and foreign demand supporting the increase. Investments were the strongest driver (+2,0% QoQ), with housing, vehicles and machinery all contributing positively.

Consumption continued to be an essential driver of growth, rising 0.6% in the quarter - after 0.9% in 2Q17. Wage increases exceeded inflation, while job growth remained significant. For the fourth consecutive quarter, 50K extra jobs were created (+0.5%). Increasingly, this growth is not only fuelled by temp jobs, but also by permanent contracts. Various sectors including IT and construction now see shortages of workers as a critical restriction for further growth. This bodes for wages pressure – finally.

Sector-wise, the main engines of growth were commercial services and manufacturing. The fact that manufacturing remains in the positive growth territory is quite surprising, after the remarkable performance in the previous quarter.

While the 0.4% growth number may look somewhat droopy against the backdrop of big brother

Germany (0,8% QoQ) or France (0,5% QoQ), let's not forget the spectacular rush of Dutch GDP, surging 1,5% in 2Q17. With this figure, our estimated 3,1% YoY GDP growth in 2017 is easily within reach. The last time, the Dutch saw a higher growth pace was in 2007.

However, all of this is catching up. According to the IMF this week, the output gap is now closed, meaning the Dutch economy is performing at full potential but it also means the economy is far from being overheated. The near future indeed shines fairly bright for the Dutch economy, with – according to confidence data – consumers and businesses being as happy as teenagers getting their first smartphone. Looking a little further ahead, there are some downward risks, Brexit being the most prominent.

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