

The Netherlands: Mild second dip confirmed

Dutch GDP in the first quarter of 2021 declined by -0.5% (quarter-on-quarter), confirming that the second Covid-induced dip was much less dramatic than the first. Hampered by social distancing policies of the lockdown, which started in mid-December, economic activity fell back but was only 3.4% below the peak of 4Q19



-0.5% GDP growth rate
1Q21 (QoQ)

As expected

Consumption drives GDP down in first quarter

Dutch GDP fell -0.5% in the first quarter of 2021 compared to the preceding quarter, as the economy faced a high number of new Covid cases and another lockdown, in place since mid-December, with the closure of schools and retail. This mostly affected household consumption,

which fell by -3.5% QoQ. The fall in brick and mortar retail sales was only partially mitigated by a surge in online sales. That said, the consumption-driven GDP decline turned out to be much less severe than in the second quarter of 2020, when GDP was at 90.1% of its pre-crisis peak of the fourth quarter of 2019.

Government consumption also came down in the first quarter of 2021, by -1.5% quarter-on-quarter. Gross investment, however, expanded by 3.7% compared to the fourth quarter, bringing it to 0.6% above the level of the fourth quarter of 2019. Investment in telecom equipment and housing increased, both by 10%, while gross capital formation only fell in transport equipment (-19%).

Exports continued to grow, despite the negative effects from Brexit. The monthly figure on the turnover of goods exports for January and February shows that imports from the UK were more affected than exports to the UK. While goods exports expanded by 0.5% QoQ, services exports grew no less than 5.8% QoQ to 87.4% of the pre-crisis peak of the fourth quarter of 2019. Despite the negative Brexit effect, imports expanded 1.3%. All in all, net trade contributed +0.4 percentage points to the GDP rate.

As social distancing measures fade, consumption should drive a quick rebound

The number of new Covid cases peaked close to 10,000 per day on 22 April 2021. Since then, it has been coming down to more than 4,000 by mid-May. This reduction and the falling hospitalisation numbers have induced the government to gradually reduce social distancing measures, with the first steps having been taken in mid-February. Among these significant steps was the reintroduction of shopping in non-essential retail and the opening of terraces. Today, we expect the government to officially announce further steps for later this week: public places in which crowds flow through, such as zoos and amusement parks, as well as gyms and indoor swimming pools could open again, while opening hours of terraces are likely to be extended to 07.00-20.00. This still leaves ample room for the future lifting of restrictions, such as indoor drinking and dining, and events, which we assume will continue in the months ahead. This should boost household consumption, which was 10.3% below its pre-crisis peak in the first quarter of this year.

On the back of the loosening of the lockdown which has already happened, we project a substantial quarter-on-quarter jump in GDP in the second quarter. Such a jump in consumer spending is already visible in ING transaction data. Even though today's first quarter numbers will lead to some tweaks in our projections, it was very much in line with our forecasts (which was -0.4%). This means that we expect GDP on the order of 3% for the year 2021.

GDP could already be back to its pre-crisis peak by the end of this year, as economic life normalises further in the second half of the year. As such, the GDP recovery out of the Covid crisis will be a fast one, setting aside possible surprises that can never be excluded in this virus-dependent economic rebound. That said, temporary increases in unemployment and bankruptcies are still included in our base case, as temporary public support measures will fade eventually.

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 www.ing.com.