

The Netherlands: strong GDP growth despite lockdown

Despite a lockdown, Dutch GDP increased by a strong 0.9% quarter-on-quarter in Q421. This was better than expected, as investment expanded significantly, household consumption barely fell, and imports dropped. Specialised business services and manufacturing provided most of the expansion



Earlier this month the Dutch government eased its Covid-19 restrictions, which were among Europe's toughest

0.9%

GDP growth rate

4Q21 (QoQ)

Better than expected

Household consumption hardly down

Dutch GDP expanded by 0.9% in the fourth quarter of 2021 compared to the third quarter. It came in at 2.8% higher than the pre-pandemic peak of 4Q19. The figure is better than we expected. During the fourth quarter, Covid containment measures were gradually increased, leading up to a new lockdown as of 19 December 2021. This could have suppressed the consumption of households significantly, as happened during previous lockdowns. With a -0.1% quarter-on-quarter

decline, the drag of consumption of households on GDP growth was small, however.

Surprisingly, government consumption expanded in the fourth quarter of 2021 (0.7% quarter-on-quarter) despite the fact that regular healthcare services were scaled down to make room for Covid-related care.

Covid support measures for businesses, most of which were initially terminated at the end of September 2021, were reimposed for the fourth quarter and also made available for the first quarter of 2022. As a result, investment held up well. In fact, gross capital formation increased by 2.6% compared to the fourth quarter, with expenditures providing the largest contribution to GDP growth. The expansion was almost completely driven by a higher level of investment in transport equipment (32.4%). While expenditures on commercial buildings (3.7%) and intangible assets (1.1%) increased, investment in housing (-3.3%), ICT equipment (-2.8%) and machinery and other equipment (-1.9%) fell.

Export stayed flat (-0.1%), while goods export growth (0.8%) was fairly decent, despite the worldwide supply chain disruptions that were also among the main Covid-concerns of Dutch businesses. Domestically-produced goods exports (1.4%) and re-exports (1.2%) expanded at a similarly solid pace, while service exports dropped significantly (-2.9%). Since the developments of imports (-0.8%) were weaker than export growth, the net contribution of international trade to GDP growth was positive in the fourth quarter: 0.5%-point. The exports of services fell significantly (-4.1%), while goods imports increased modestly (0.5%).

Business services, IT and industry provide bulk of growth

Looking at it from a sectoral perspective, growth was strongest in water utilities (3.9%), specialised business services (3.6%), IT (2.8%), financial services (2.5%) and the manufacturing industry (2.3%). Mining (i.e. oil and gas, -28.0%), trade, transport and hospitality (-0.9%) and agriculture (-0.4%) saw their value-added fall.

Strong figure solidifies optimistic outlook

The current Covid wave and its accompanying lockdown have had a less negative effect on GDP than previous ones. The surprisingly strong GDP figure for 4Q21 solidifies our view that demand is strong and may even invoke upward revisions of our GDP forecast for 2022.

Obviously, risks concerning possible new Covid variants are still present, but for now, there are plenty of reasons to stay optimistic. Even though the Netherlands ended its lockdown on 26 January, it is expected that the Dutch government will reduce Covid containment measures even more on 28 February. This may boost household consumption further, up to the point that it may surpass its pre-pandemic peak soon.

Author

Marcel Klok

Senior Economist

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 <http://www.ing.com>.