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.

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