



Economic outlook
1st quarter 2011
Netherlands

Economic situation

Sales in Dutch industry rose by 14% in the 4th quarter of 2010 compared with a year earlier. As in the previous three quarters, this was due to strong demand from abroad. The value of exported goods and services returned to its peak in 2008. Manufacturer confidence was fairly positive, as were developments in the labour market and the temp agency sector. Forecasts by The Netherlands Bureau for Economic Policy Analysis (CPB) and Statistics Netherlands (CBS) give a cautiously optimistic picture.

General

In the 4th quarter of 2010 the Gross Domestic Product (GDP) grew by 2.4% compared with the 4th quarter of 2009 and by 0.6% when compared with the 3rd quarter of 2010.

Consumer confidence grew by 2% in February, ending at -3%. Manufacturer confidence rose by 1% to 1.7%.

Industry produced 5.2% more in the 4th quarter than a year earlier while the export of goods and services grew by 11%. Household consumption was 1.7% higher in the 4th quarter of 2010 compared with one year ago.

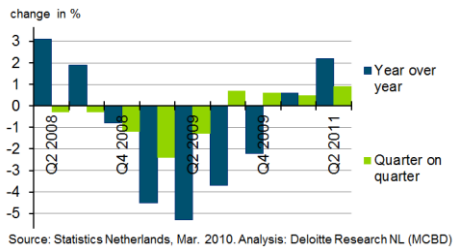
The capital market interest rate (most recent ten-year Dutch State Loan) averaged 2.9% in the 4th quarter but reached 3.2% in January 2011. Inflation rose to 1.7% in the 4th quarter and to 2% in January. There were 8% fewer business failures during the 4th quarter of 2010 than a year previously.



The number of people unemployed fell by around 10 thousand during the 4th quarter of 2010. In the same period there were 4 thousand additional recipients of supplementary benefit. An average of 130 thousand job vacancies were open in the 4th quarter of 2010, 4 thousand more than in the 3rd quarter of 2010. The number of hours worked by temporary staff grew by 5.2% in the 4th quarter compared with a year earlier.

Unemployment down again

Figure 1. Development in GDP (at market prices)

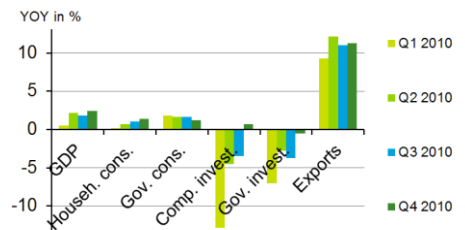


Source: Statistics Netherlands, Mar. 2010. Analysis: Deloitte Research NL (MCBD)

Resources and expenditure

In the 4th quarter of 2010 consumption by the public sector was up 1.6% on the previous year while investments were down by 0.5%. Companies invested 0.7% more in the 4th quarter than a year earlier. The last time that investments by companies went up was in 2008. Household consumption was up by 1.5% on the previous year. Exports in the 4th quarter of 2010 were 11% higher on average than a year earlier.

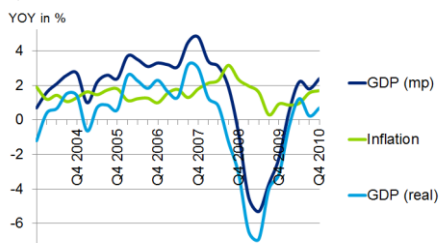
Figure 2. Resources and expenditure



Source: Statistics Netherlands, Mar. 2011. Analysis: Deloitte Research NL (MCBD)

Inflation remained low in the Netherlands.

Figure 3. GDP and inflation



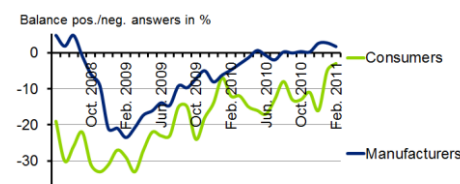
Source: Statistics Netherlands, Mar. 2011. Analysis: Deloitte Research NL (MCBD)

Increase again in job vacancies and hours worked by temporary staff

Confidence and open jobs

Manufacturer confidence – the average assessment of business people concerning orders, stocks and expected production in the next three months - was slightly positive in the 4th quarter of 2010 at 1% (it was 1.7% in February 2011). Consumer confidence was -10% in the 4th quarter of 2010 and -3% in February 2011.

Figure 4. Consumer and manufacturer confidence ¹⁾



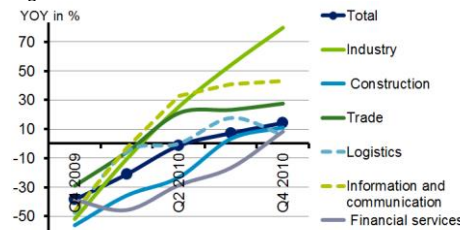
Source: Statistics Netherlands, Mar. 2010. Analysis: Deloitte Research NL (MCBD)

¹⁾ Consumer confidence covers the opinion of consumers concerning the financial situation both currently and in the future, their opinion of current conditions for the purchase of durable goods, the current economic situation and expectations for the next 12 months.

Manufacturer confidence concerns business people's assessment of their order positions and their stocks of finished products in the reporting month as well expectations for production in the next three months.

There were positive developments in the labour market. The number of job vacancies rose again. An average of 130 thousand job vacancies were open in the Netherlands in the 4th quarter of 2010. This was 14 thousand more than a year ago but still 49 thousand fewer than two years previously. The number of hours worked by temporary staff increased by 5.2% compared with a year earlier.

Figure 5. Job vacancies in the Netherlands



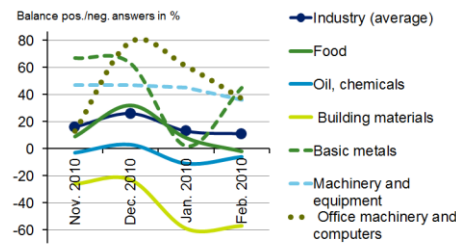
Source: Statistics Netherlands, Mar. 2010. Analysis: Deloitte Research NL (MCBD)

Market development

The contribution of the largest sectors to GDP can be specified as follows for the 4th quarter of 2010: the contribution of 'mining and quarrying' to GDP grew by 1% compared with the 3rd quarter to 19%, 'public sector, healthcare and other services' grew by 1% to 26%, 'trade, catering, transport and communication' fell by 1% to 20% and 'financial and business services' fell by 2% to 27%.

Dutch industry estimated a slight increase in production in January compared with December. However, the construction industry in particular saw lower production in January than in December.

Figure 6. Realised industry production ²⁾



Source: Statistics Netherlands, Mar. 2011. Analysis: Deloitte Research NL (MCBD)

²⁾ Question: "Was production last month more than the month before, the same or less?" The balance is the weighted percentage of business people reporting an expected increase in new orders minus the weighted percentage of business people reporting an expected decrease in new orders.

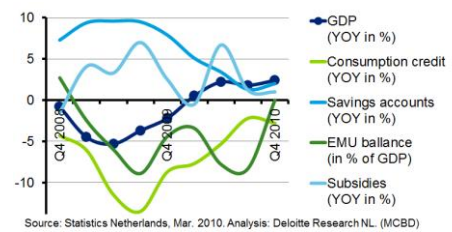
Interest rate, credit and subsidies

The total savings deposits held by the Dutch grew by 2% in the 4th quarter of 2010 compared with a year earlier. However, 1.3% more savings were being made in the 3rd quarter of 2009 than in the year before that so it can be concluded that once again more savings are being made.

There was a further reduction in grants of consumer credit loans in the 4th quarter of 2010: -2.8% compared with a year earlier. The overall value of consumer credit loans has reached a low point; over the past 20 years it was only this low in 2010, 2001 and 1998.

The European Central Bank has maintained a 1% policy interest rate since 2008. The difference between public sector income and expenditure (the EMU balance) was -8.3% in the 3rd quarter, which exceeds the -3% Euro zone limit. Subsidies increased by 1% compared with a year earlier.

Figure 7. EMU balance and subsidies



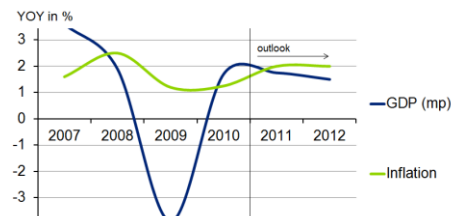
Source: Statistics Netherlands, Mar. 2010. Analysis: Deloitte Research NL (MCBD)

Industry sees slight upward trend in production



The “credit crisis has not yet blown over” in the opinion of the Netherlands Bureau for Economic Policy Analysis (CPB). However the CPB has given a cautiously optimistic forecast: GDP is forecast to increase by about 1¼% in 2011 and by 1½% in 2012. De Nederlandsche Bank, the Dutch central bank, foresees GDP growth of 1.6% in 2011 and 1.7% in 2012.

Figure 8. Forecast: GDP and inflation

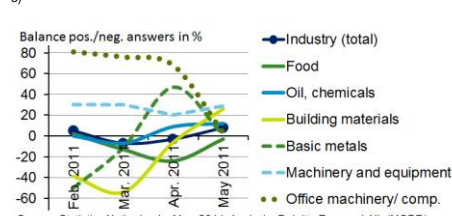


Source: Netherlands Bureau for Economic Policy Analysis, Feb. 2011. Analysis: Deloitte Research NL (MCBD)

The CPB outlook shows the EMU balance developing from -3.6% in 2011 to -2.2% in 2012. The expected unemployment rate is 4¼% in 2011 and 4% in 2012.

There is less variation in production expectations in the various branches of industry. Optimism is increasing in the construction sector. On the other hand, optimism is decreasing in computer industry. As a whole, production expectations have tended to remain neutral over the past four months. Taking all branches of industry, there were on average 8% more positive expectations in January for the period through to April 2011.

Figure 9. Outlook for industry production for the month



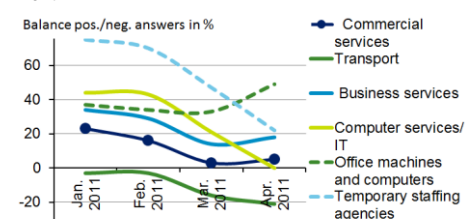
Source: Statistics Netherlands, Mar. 2011. Analysis: Deloitte Research NL (MCBD).

3) Question: “Are you expecting production to increase, stay the same or decrease over the next three months?” The balance is the weighted percentage of business people reporting an increase minus the weighted percentage of business people reporting a decrease.

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There was another slight rise in the number of service companies expecting higher sales in the period to the end of April 2011. Temp agencies and transport companies are considered key indicators in projections of economic development. The outlook of temp agencies is an indicator for changes in personnel demand in the economy. This outlook is positive. Transport is an indicator for economic activity. This outlook is slightly negative. Sales expectations in the business services sector are positive.

Figure 10. Outlook for business services sales for the month



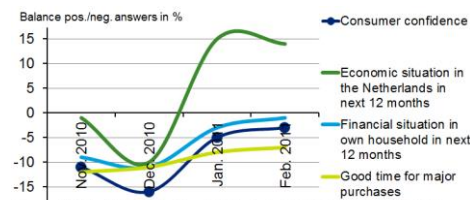
Source: Statistics Netherlands, Mar. 2011. Analysis: Deloitte Research NL (MCBD).

4) Question: “Are you expecting the number of new commissions/orders to increase, stay the same or decrease over the next three months?” The balance is the weighted percentage of business people reporting an expected increase in new orders minus the weighted percentage of business people reporting an expected decrease in new orders.



Consumer confidence in the future is slightly negative. Consumers think the economic situation in the Netherlands will improve over the next 12 months, but expect the financial situation of their own household to remain unchanged. Consumers are tending to hold back from buying durable goods at the moment.

Figure 11. Consumer confidence and consumers' outlook⁵⁾



Source: Statistics Netherlands, Mar. 2011. Analysis: Deloitte Research NL (MCBD)

5) Consumer confidence is an index based on various questions, including: a) Economic situation in the next 12 months: "and what do you think about the next 12 months? Will the economic situation in the Netherlands generally improve, worsen or remain the same?" b) Financial situation in the next 12 months: "What are your expectations for the financial situation of your household? Will this improve over the next 12 months, worsen or remain the same?" c) A good time for major purchases: "If you look at furniture, washing machines, televisions and other durable goods, do you think now is a good time to make such major purchases, a bad time or neither one or the other?"

The outlook in industry and the service sector is moderately positive. Households are more hesitant.

The Deloitte CFO survey, for the 4th quarter of 2010, shows that three quarters of the corporate CFOs are aiming for growth in their company over the next few months. The focus is on expansion through new products and services or by tapping into new markets. Growth through acquisitions is also an option for these CFOs. A notable feature is the break in the trend regarding balance-sheet and other risks. There has been a big increase in the risk appetite of the CFOs following a cautious year, and it is now at its highest level in two years. However, the CFOs do feel funding costs have increased again slightly.

Sources:
 Deloitte: CFO Survey Q4 2010. Statistics Netherlands (CBS).
 Netherlands Bureau for Economic Policy Analysis (CPB).
 European Central Bank (ECB). De Nederlandsche Bank (DNB).

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Written by Günter Wiedemann, Research NL (MCBD) at Deloitte, Rotterdam. E-mail: gwiedemann@deloitte.nl