



The Netherlands



Did you know...?

Geography The Netherlands is the most densely populated state in Europe. About 20% of its geographic area is below sea level.

History In the era referred to as the Dutch Golden Age, colonies and trading posts were established all over the globe. The Dutch East India Company was the world's largest commercial enterprise in the 17th century.

Tulip mania In late 1636 and early 1637, a mania for tulip bulbs swept through the Netherlands. Before the market crashed, a single bulb fetched the equivalent of 10 years' salary for the average Dutch worker.

Culture Famous Dutch painters include Pieter Bruegel, Rembrandt van Rijn, Johannes Vermeer and Vincent van Gogh.

Fun Fact In the Netherlands, TV shows and movies for adults are subtitled, helping with foreign language acquisition. Only programs for children are dubbed into the Dutch language.

An overview of the Dutch economy

The global financial and economic crisis had a deep impact on the Dutch economy due to its trade and financial linkages. Now out of the recession the country is experiencing growth again but faces long-term challenges.

The Netherlands was one of the founding member states of the European Union. The Netherlands adopted the euro, on January 1st, 1999. Euro notes and coins were introduced on January 1st, 2002, replacing the Dutch Guilder.

The Netherlands is an export-oriented economy and is known for its stable industrial relations, low unemployment rate, and a sizable current account surplus. Exports benefited greatly from increased demand in the euro area and improved price competitiveness. Dutch economic competitiveness has been helped by improvements in the macroeconomic and business environment, along with technological innovation. Private consumption increased as a result of higher real wages and employment gains.

As one of the most open economies in Europe, the Netherlands is particularly vulnerable to developments in the global economy. As such, it could not escape unscathed the global crisis that began in 2008. Economic activity experienced a severe contraction of 3½% in 2009, climbed back to positive growth the following year, but then fell back into recession. The Dutch government's public finances deteriorated sharply, from a surplus in 2008 to a deficit in 2010. The parliament passed the Spring Accords in May 2012, introducing major reforms in the labor and housing markets, as

well as changes to the pension system. Despite the severe economic crisis, the Netherlands has recovered substantially with growth above 2% since 2015 and a continuously declining unemployment rate since 2014. With declining unemployment, wages are forecast to increase with inflation, resulting in decreases in cost competitiveness.

A new fiscal stimulus package is anticipated to help propel the economy to further growth. Despite the cost of the expansion, the government is expected to remain in a surplus and general government debt should remain below 60%. Household consumption and investment are expected to take the lead on growth figures. Despite strong exports, imports are strengthening from increased domestic demand. This is dampening the effect of net exports and making it potentially negative.





The Netherlands' Economy – Key Facts

- In 2016, the Netherlands had the 6th highest GDP per capita among the EU member states. It has a population of about 17 million inhabitants.
- The new coalition government announced an expansionary fiscal policy for 2018-2021. This entails plans for government consumption and public investment increases. By targeting social affairs, defence, and education, the plan should increase domestic demand and help lead to greater GDP growth.
- The World Economic Forum (WEF) Global Competitiveness Report for 2017/2018 ranked the Netherlands 4th out of 137 countries in terms of competitiveness. The country's companies are skilled in absorbing new technologies (ranked highly for their technological readiness). Business activity is buttressed by a good educational system.
- The World Bank's Doing Business Report for 2018 ranked the Netherlands 32nd out of 190 countries. Getting credit has improved but remains a major downside on the Netherlands' ranking.
- According to the European Commission's Autumn 2017 forecast, GDP will grow by 3.2% in 2017 and 2.5% in 2019. Inflation is forecast to strengthen from 1.3% in 2017 to 2.2% in 2019. The 2019 increases are expected to be from planned increases in indirect taxes, such as VAT and energy taxes.

References

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Exports The Netherlands remains a very open economy – exports account for 82.4% of GDP and the country is anticipated to have a current account surplus of 9.1% in 2017.

Wages In recent years, wage growth was minimal. However, the tightening labor market and robust employment rates are putting upward pressure on wages. Combined with the labor market strength, trade unions are starting to campaign for higher wages, with demands higher than in past years.

Labor market The labor market is incredibly strong and reaching record levels of growth, with unemployment forecasted at 4.8% in 2017 and 3.5% by 2019 and employment growth around 2% in 2017-2019.

Debt The government debt-to-GDP ratio is expected to fall below 60% at 57.7% in 2017 and see further decline to 51.5% in 2019. Furthermore a surplus is expected to continue from 2016 through 2019, with 0.7% in 2017 and 0.9% in 2019.

Trade The Port of Rotterdam is one of the most important transport centers in the world and the largest port in Europe.