

## The Netherlands 3<sup>rd</sup> Quarter economic review<sup>1</sup>

Thai Trade Office, The Hague.

Thai Trade Office, The Hague, reviews the latest general economic situation (end of October) of the Netherlands in order to show a broader perspective of the market.

### **Public Debt and Government budget deficit remain high**

Let us look, first of all, at the public debt and deficit, which remains a big problem to the Dutch government - as well as many EU countries. At the end of 2010 public debt was high as 62.7 % of GDP and the government deficit was 5.4% of GDP, which forced the Dutch government to cut deeply in the budget expenses. Despite of the cut and control, the government debt still climbed slowly to 63.8% of GDP and deficit was 5 % of GDP at the end of the first half of 2011. It brought the NL situation beyond the EU's norm of deficit and debt, which are 3% and 60% of GDP

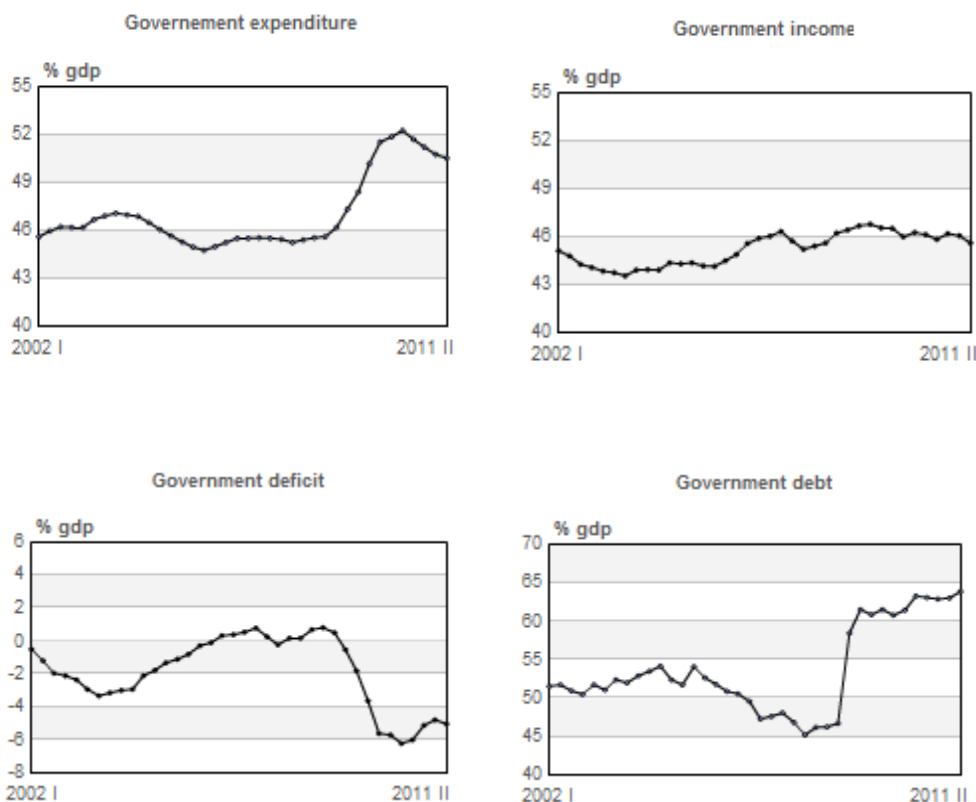
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<sup>1</sup> All data are from Central Bureau of Statistics: CBS (Statistics Netherlands), and Dutch Daily News. All comments made in this paper is an individual comment of the author. It shall not prejudice any further comment and marketing position made by the Department of Export Promotion.

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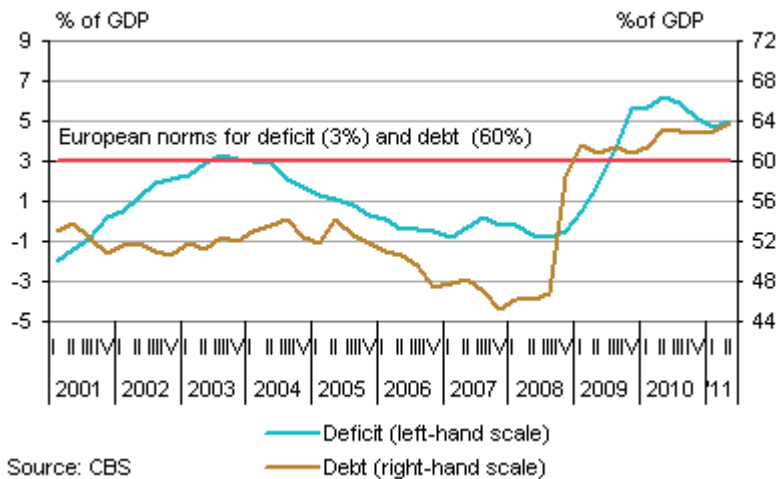
accordingly. On government income, figures illustrate that income had turned to be another direction.

TTO perceives that, if this situation stands, this would not leave much choice for the government but to cut deeper in budget especially, among others, social welfare benefits<sup>2</sup>. This would definitively shake the consumers' confidence on the economic situation and the way of life, which would negatively influence their buying behavior.



<sup>2</sup> Government cost cutting package is 18 Billion Euro and expected to complete by 2015. A start was made in 2011 by 2.8 billion euro. In 2012 the cost cutting is expected to be 6.5 billion euro. Budgets that face cuts in 2012 would be development cooperation, defense and childcare allowance, health care and social security.

### Government deficit and government debt



### Inflation still rises

The latest figures are those from September and showed that the Dutch inflation rose to 2.7%. The main reasons for the rise in inflation were the higher prices for clothes and high energy prices. Compared with September 2010, prices for clothing items were 3.2% more in September 2011.

TTO observes that clothes and energy price are increasing due to high demand during winter period. Of course this would affect the Dutch consumers during this period of the year in the sense that they may have to control their expenses more. Despite general demand for products may slip a bit, TTO sees that consumers are

willing to pay higher prices, if quality of the products and services are reasonable.

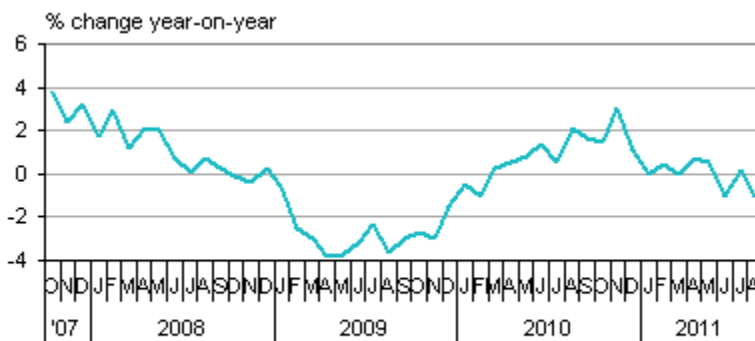
### **Unemployment further up**

In the end of 3<sup>rd</sup> quarter, unemployment increased for the third month in a row in September 2011, which average monthly growth was approximately 15,000 persons. Up to date, unemployment rate totally is 438,000 persons or accounts of 5.6% of the labor force. If we look at the division of unemployment among genders we see that there is no difference, while in the first 6 months of 2011 female unemployment had declined.

TTO assesses that the growing figure of unemployment rate is not a good sign for retail sale of direct consumption products, especially non-EU origin imported products. This issue needed to be closer monitored. However, technically, the decrease of female unemployment rate shows somehow a positive sign for retail market, due to the fact that female are more willing to buy than male.

## Household consumption declines

Dutch household consumption has gradually declined since beginning of year 2011. By comparing to August last year, household consumption on goods and services in August 2011 was 1.0% down. Specifically, spending on goods alone decreased by 2.6%, especially on durable goods the Dutch consumer spent 2.8% less. In addition, spending on home furnishing, food, drinks and tobacco also dropped. However, the Dutch consumers spent on services up by 0.3%.



Source: CBS

TTO sees that, at the matter of fact, the consumption has gradually declined from last quarter of year 2010. Consumption declining is a result from less confidence in economic situation not only the national level, i.e. government budget cut, higher rate of unemployment etc., but also regional level, i.e. financial unrest in the EU area.

## **Manufacturing**

The manufacturing sector of the Netherlands shows a growth in turnover. The turnover in this sector was 16% in August 2011 relative to August 2010. Prices of manufactured products were almost 10% higher than 1 year previously.

If we look at the transport equipment sector, basic metals & metal products and the petroleum sector, chemical, rubber and plastic products sector, the turnover figure illustrated a positive sign. The turnover in these sectors was approximately 20% up on 1 year previously. Main reason for this positive turnover was the higher prices for products.

Positive turnover caused by higher prices is also seen in the food sector, which the turnover grew by 12%.

TTO views that, for remaining of the year, it is a positive sign for Thai exporting products which mostly are products related to manufacturing process including IT parts and components, plastics, and rubber. However, due to the current flooding situation, the question remains whether

Thailand would have ability to supply those products or not.

## **Exports growth**

Total international trade of the Dutch was higher 16% in August 2011 than in August 2010, with the result of trade surplus of €3.0 billion. The value of trade with EU countries grew much faster than with non-EU countries. The top 10 countries The Netherlands is exporting to are: Germany, Belgium, France, UK, Italy, USA, Spain, Poland, Sweden and Czech Republic. The main export products are: mineral & fuel, machinery, electrical machinery, organic chemicals, plastic, medical instruments, vehicles, pharmaceutical product, iron & steel and live trees & plants.

On export, the value of exported goods was in total of €32.7 billion, which is 11% up on August 2010. Though the exported value increased quite positive, the volume of exportation increased only with 4% in August, while in June and July was 5%.

World Trade Atlas

Netherlands - Exports to Thailand

January - August

Millions of US Dollars

Change					% Share			%
HS	Description	2009	2010	2011	2009	2010	2011	11/10
	<b>Thailand</b>	536.043	620.900	792.305	0.17	0.17	0.18	27.61
85	Electrical Machinery	157.585	180.430	203.151	29.40	29.06	25.64	12.59
84	Machinery	83.853	80.912	93.117	15.64	13.03	11.75	15.09
29	Organic Chemicals	44.723	38.465	41.468	8.34	6.20	5.23	7.81
21	Miscellaneous Food	22.911	19.896	38.999	4.27	3.20	4.92	96.02
72	Iron And Steel	22.611	10.301	38.729	4.22	1.66	4.89	275.96
39	Plastic	23.441	26.180	36.710	4.37	4.22	4.63	40.22
90	Optic,Nt Med In	24.414	29.530	35.422	4.55	4.76	4.47	19.95
04	Dairy,Eggs,Honey,Etc	10.965	17.681	32.633	2.05	2.85	4.12	84.56
23	Food Waste; Animal F	18.175	22.497	30.401	3.39	3.62	3.84	35.13
30	Pharmaceutical Produ	14.170	29.842	27.025	2.64	4.81	3.41	-9.44

Noticeably, according to the Dutch market gardening board, the Netherlands is the world's biggest fresh vegetable exporter for the fourth year in a row – Mexico is

the 2<sup>nd</sup>. The Netherlands exported 4.6 billion kilos of vegetables, with a market value of €4.2 bn. The main Dutch export is onions, followed by tomatoes, bell peppers and cucumbers. One of the reasons is that the Netherlands is a big player in re-exporting products due to the country situation in the center of Europe.

On import, the import value increased by 13% to €29.8 billion. The number of volume of imports was nearly 5% higher in August 2011. The top 10 countries The Netherlands is importing from are: Germany, China, Belgium, USA, UK, Russia, France, Japan, Norway and Brazil. The products The Netherlands are importing the most are: mineral fuel & oil, machinery, electrical machinery, vehicles, organic chemicals, medical instruments, pharmaceutical products, iron & steel, plastic and aluminum.

## World Trade Atlas

## Netherlands - Imports from Thailand

## January - August

Millions of US Dollars

HS	Description				% Share		
		2009	2010	2011	2009	2010	2011
	<b>Thailand</b>	2,371.944	2,633.314	2,924.331	0.86	0.80	0.73
84	Machinery	844.191	938.549	935.212	35.59	35.64	31.98
85	Electrical Machinery	664.727	660.823	749.779	28.03	25.10	25.64
40	Rubber	69.647	133.671	208.959	2.94	5.08	7.15
16	Prepared Meat,Fish,E	120.899	120.594	147.600	5.10	4.58	5.05
90	Optic,Nt Med In	72.860	96.080	118.804	3.07	3.65	4.06
87	Vehicles, Not Railwa	78.006	88.177	90.712	3.29	3.35	3.10
20	Preserved Food	79.988	80.054	74.222	3.37	3.04	2.54
39	Plastic	23.982	41.332	46.566	1.01	1.57	1.59
10	Cereals	31.790	31.272	37.067	1.34	1.19	1.27
62	Woven Apparel	25.428	22.801	31.912	1.07	0.87	1.09

TTO regards this as a good sign of European general economic conditions; due to the fact that Dutch's biggest trading partners are EU countries. Consequently, this is also a good sign for Thai exporting products in general.

## **Retail turnover up**

Turnover in the retail sector generally increased 2.5% in August 2011, while volume was marginally down, compared to August 2010. This is only caused by higher prices.

In the food sector, turnover and volume grew by 4.5% and 2% accordingly. General retail price was up by 2%. Supermarkets accounted entirely for the turnover growth. However, not all food related companies were experiencing profits; the food specialist shops were dealing with loss of turnover compared to August 2010.

In the non-food sector, turnover was less increased. This sector had a turnover of 1% which was also totally due by higher prices. Volume was down on 1 year previously. Most of non-food shop experienced turnover grow. Only DIY shops and consumer electronics shops recorded a negative turnover growth, while the home furnishing was par.

Impressively, mail-order companies and online shops turnover reported high at 4%.

TTO perceives that consumers still spent money with high cautious, while online shopping companies could be an alternative choice for channel of distribution of Thai products.

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Thailand Trade Office, The Hague

November 2011

Sources of data:

Central Bureau of Statistics: CBS (Statistics Netherlands)

Dutch Daily News (DutchNews)