Country Report

Netherlands

March 2012

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Economist Intelligence Unit

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Executive summary

Highlights

March 2012

Outlook for 2012-16

- The prospects for the Dutch economy are clouded by the threat of a worsening of the euro area sovereign debt crisis, which could lead to another seize-up of the European financial system or even the break-up of the euro.
- The right-wing minority coalition of the centre-right Liberals (VVD) and the centrist Christian Democratic Appeal (CDA) will be supported by the far-right Party for Freedom (PVV) in parliament, but will have only a narrow majority.
- Political stability will be weakened by the slim majority and exacerbated by unease in sections of the coalition parties at co-operating with the PVV. The Economist Intelligence Unit expects an early election in 2012 or 2013.
- The coalition will focus on cutting the budget deficit and securing financial stability. The retirement age will not be raised until 2020; healthcare financing will be changed. The PVV has secured commitments on immigration issues.
- The government will reduce the fiscal deficit in the forecast period, mainly through spending cuts. The budget deficit is expected to fall below 3% of GDP from 2014. Public debt will rise to around 71% of GDP, before falling back.
- We expect a deep recession during 2012 (-0.8%), after economic growth of 1.3% in 2011, followed by sluggish average growth of 1.5% in 2013-16. Private consumption will be particularly weak.
- Inflation is forecast to average 1.9% in 2012-16. We expect the current-account surplus to fall to 5% of GDP by 2016.

Monthly review

- Job Cohen stepped down as leader of the centre-left opposition Labour Party (PvdA), amid rising unrest within his party and concerns that its traditional voters increasingly support the left-wing Socialist Party.
- The far-right PVV has created a controversial website that encourages Dutch citizens to complain about immigrants from central and eastern Europe. The prime minister, Mark Rutte (VVD), has so far not condemned the website.
- With the Netherlands now officially in recession (after a second consecutive economic contraction in the fourth quarter of 2011), intense discussions about public spending cuts and reforms have started.
- The increase of the national pension age from 65 to 66 years in 2020 has been approved in the lower house of parliament, and details about the extent of payment cuts by pension funds have been revealed.
- The weak economic performance in the fourth quarter of 2011 mainly reflected subdued domestic demand, with the external sector and declining inventory levels also having a negative impact.

Outlook for 2012-16

Political outlook

Political stability

A right-wing minority coalition of the Liberals (VVD) and the Christian Democratic Appeal (CDA), supported in parliament by the populist, anti-establishment Party for Freedom (PVV), has been in office since October 2010. The three parties together hold only a slim majority of one vote in the Second Chamber (the lower house), and they are dependent on a small opposition party to secure a majority in the Senate (the upper house). The government's legislative co-operation with the PVV will be limited to issues agreed before government formation in a separate "grace accord", including fiscal affairs, immigration and integration, and some social security and healthcare reforms. One of the most pressing issues, Dutch participation in the assorted euro area rescue mechanisms, has required support from centre-left opposition parties, which are likely to support the government on financial-sector reform too.

In focus: Geert Wilders' confrontational style of politics

In January 2012 the centre-left opposition Labour Party (PvdA) announced that it was not prepared to provide the government with a parliamentary majority to pass extra public spending cuts. With this change of direction, the PvdA is putting pressure on the right-wing Party for Freedom (PVV) to show more support for the government or risk its collapse. The upcoming budgetary talks will show whether the PVV leader, Geert Wilders, is prepared to maintain his confrontational style despite the growing constraints on the government.

In the early days of the coalition, co-operation was smooth between the governing parties, the Christian Democratic Appeal (CDA) and the Liberals (VVD), on the one hand, and their partner in parliament, the PVV, on the other hand. Without any public signs of disagreement, the three parties negotiated €18bn in spending cuts. Compromises were made, and apart from a few CDA dissidents, no one in the three parties complained. Difficult decisions were supported by the PVV, which lived up to its commitments. However, a clear reversal in the PVV's attitude was seen towards the end of 2011, threatening government stability. Mr Wilders has taken many opportunities to irritate his partners. His provocations suggest that he may soon withdraw his support from the minority coalition government. The following key events highlight this risk:

- The main talking-point of the 2012 budget debate in September 2011 was an exhortation by Mr Wilders to the prime minister, Mark Rutte (VVD), to "behave normally for once", to which Mr Rutte replied strongly "act normally yourself". Both later maintained that their fierce exchange of words was inconsequential.
- Mr Wilders' strong opposition to further financial support for Greece, and the PVV's general disagreement with government policy on EU issues, was again highlighted in the run-up to a major EU summit on October 26th. The coalition depended on the opposition to find sufficient backing for the prime minister.
- Also in October 2011, Mr Wilders led calls for an 18-year-old boy from Angola who had lived in the Netherlands since he was ten to be deported, threatening to stop supporting the coalition if it allowed him to stay. The dispute exposed

the CDA's discomfort about co-operating with the PVV, and came close to threatening the survival of the coalition with its current support arrangements.

- In mid-November 2012 Mr Wilders said that his party would not support additional austerity measures unless the development aid budget was reduced further—an impossible demand for the CDA. He also provoked the minister for foreign affairs, Uri Rosenthal (VVD), by arguing for the cancellation of the celebrations of 400 years of Turkish-Dutch relations in 2012. Finally, on the issue of civil servants who refuse to conduct gay marriages, the entire PVV parliamentary faction voted with the opposition to outlaw the phenomenon.
- In February 2012 ten countries in central and eastern Europe wrote a joint letter to Mr Rutte, urging the Dutch parliament to take down a controversial website created by the PVV that encourages Dutch citizens to complain about immigrants from central and eastern Europe. Citizens can report various types of nuisance including noise, drunkenness and bad parking. The PVV has linked "massive labour immigration" with social problems in the country, and wants to present the findings from the website to the minister of social affairs and employment. Mr Rutte has refused to condemn the website.

Despite these provocations, Mr Wilders has toned down his rhetoric slightly. In December 2011, during a heated debate on EU enlargement, he stated that he was not trying to bring about the fall of the government. But in January 2012 he warned that the chance of reaching a deal on new spending cuts was 50%. With PvdA support for the government out of the question, Mr Wilders will probably have to show his more co-operative side to avoid a government collapse over the question of spending cuts.

Government stability is subject to substantial risks. CDA parliamentarians could balk at the immigration proposals that the PVV secured in return for supporting the coalition as well as PVV calls to reduce development aid further. If immigration reforms cannot be passed, the PVV may leave the coalition, leading to a government collapse. Broader unease about euro area bail-outs also bears risks for political stability. The government will continue to be under pressure from other EU leaders to protect euro area economic and financial stability, but the Eurosceptic views of the electorate, articulated most strongly by the PVV, will work against putting further taxpayer funds at risk.

Considerable space exists on the far right of the electoral spectrum for anti-establishment (and often anti-immigrant) parties. As the only representative in the current parliament of this electoral territory, the PVV is large enough to exert considerable formal and informal influence on the government. Social stability could suffer from this arrangement, if community tensions flare up because of the PVV's controversial views. However, barring severe tension between host and immigrant communities, societal stability is expected to be maintained. Consensus-based labour-market policymaking, with tripartite talks between the government, unions and employers, will continue to keep labour relations relatively harmonious, as will one of the lowest unemployment rates in the EU (albeit rising). However, protests against fiscal cuts are likely to endure.

Election watch

The minority VVD-CDA coalition will be prone to instability, and there is a strong likelihood that a general election will be called before the end of the parliamentary term in 2014. The Economist Intelligence Unit's central forecast is that the government will collapse either in 2012 or in 2013. Disagreements over public spending cuts could trigger a government collapse as early as mid-2012, probably based on a departure of the PVV, although the CDA is a weak link too. However, if the PVV retains its current strength, a new election would not necessarily produce a more stable government. The CDA, a stalwart of the political scene, is polling badly and would not welcome an early election.

International relations

The Netherlands will face difficult questions about its commitment to European integration during the forecast period. The government will continue to be committed to European integration, but Euroscepticism in the electorate will make the country a difficult participant in euro area rescue mechanisms. The debt crisis represents a grave threat to Dutch economic and financial stability, but support is low among the electorate for contributing taxpayers' money to bail out euro area sovereigns or for guaranteeing loans by the euro area emergency credit facilities. Despite its protests, the Netherlands is likely to continue to back the German-led approach to the crisis, calling for tough oversight of euro area members with weak public finances, and will support moves to maximise private-sector creditor involvement in any new bail-outs.

The Netherlands will remain a low-key NATO member. It has traditionally been supportive of the US, but relations suffered over the termination of the Dutch military mission in Afghanistan in 2010, and there is little political support at present for placing troops in offensive combat roles. Currently, a total of 545 Dutch military personnel, police officers and diplomats have been deployed for the training of police officers in Afghanistan since mid-2011 (to stay until 2014).

Economic policy outlook

Policy trends

The government's policy programme is framed by its plans for deficit reduction. This will entail reform of the social-security system, to tighten eligibility requirements, notably for childcare subsidies, unemployment benefit and disability allowance. The coalition is also reducing the size of the civil service and military. A pensions reform that raises the official retirement age to 67 will take effect only beyond the forecast period. Restraints on healthcare costs are expected, as this has been the main source of spending growth beyond government targets. Reform of financial services will continue, as policymakers seek to make the system safer and less dependent on state backing during crises. A banking-sector levy, to prefund the deposit guarantee scheme, is a key element of this policy. The state plans to sell a previously nationalised large commercial bank, ABN Amro, by the end of the forecast period, but poor market conditions may prevent this. Minority stakes in two other financial institutions—ING and SNS Reaal—are being gradually repaid by the institutions themselves.

Fiscal policy

We estimate that the general government deficit reached 4.8% of GDP in 2011. The government has been implementing fiscal consolidation measures since the start of 2011, and almost all the adjustment to return the budget to balance is set to occur on the expenditure side, by cutting €18bn from the public finances by 2015. The tax plan for 2012 aims at simplification, including the abolition of seven smaller taxes. The main threats to the fiscal strategy are higher-than-budgeted growth in healthcare spending and a return to prolonged recession, which will lead to revenue shortfalls. The fiscal consolidation process will also entail cuts to social-security payments and the number of civil servants. However, in light of the economic downturn, the risk of further public spending cuts has increased (possibly to the tune of between €7bn and €16bn per year by the end of the current parliamentary term in 2014). The extent of new spending cuts will become a major topic after the government's economic advisory body, the Central Planning Bureau (CPB), publishes new economic forecasts in March. The budget deficit is forecast to fall to 4% in 2012.

We project further declines in the deficit in subsequent years, to around balance in 2016. Under normal circumstances, public debt would be expected to rise to above 71% of GDP in 2014, before falling back. However, the euro area debt crisis threatens to require large debt increases at some point over the forecast period, especially as a result of banking-sector bail-outs.

Monetary policy

The main refinancing rate of the European Central Bank (ECB) stands at 1%, following cuts of 25 basis points each in November and December 2011 that reversed two earlier rate hikes. Average euro zone inflation edged lower to 2.7% in January, still some way above the official target of "close to but below 2%". But with commodity prices having stabilised to a degree and economic activity forecast to contract in 2012 (we believe the euro zone is now in recession), inflation is projected to fall back towards 2% this year. We expect the ECB to cut its policy rate to 0.75% in 2012. Interest rates are likely to rise at a gradual pace later in the forecast period, but will remain at a comparatively low level.

Given the spread of tensions in euro zone sovereign debt markets last year to encompass Italy and Spain, alongside a sharp deterioration in bank funding markets, since August 2011 the ECB has expanded markedly its unconventional support measures for the banking system. In a significant liquidity-boosting operation, the Bank resumed its long-term refinancing operations (LTRO), extending loan maturities to three years (commercial banks took up an unprecedented €489bn of such loans in December; a similar LTRO is due in late February). The ECB has also substantially relaxed the criteria for eligible collateral it accepts from banks (raising doubts over asset quality) and will continue to offer "full allotment" of liquidity at shorter durations through 2012, and probably beyond. By alleviating banks' near-term funding concerns, the ECB aims to support credit growth, or at least prevent a severe credit crunch. The liquidity injection may also stop banks from selling off their sovereign bond portfolios, but hopes that it will encourage substantial renewed bond purchases—backdoor quantitative easing—appear optimistic given banks' large funding needs and regulatory pressure to reduce exposure to weak sovereigns. In recent weeks the ECB has scaled back its purchases of government bonds in secondary markets (which were worth €212bn at end-2011) under its securities market programme. The ECB continues to state that its bond-market support is both "limited and temporary", but we continue to believe it would intervene dramatically if necessary to forestall a debt default. This is despite strong opposition to bond purchases within the ECB's governing council and in some euro zone countries (particularly Germany), given moral hazard concerns and the potential negative impact on the ECB's balance sheet of any debt default.

Economic forecast

International assumptions

	2011	2012	2013	2014	2015	2016
Economic growth (%)						
US GDP	1.7	1.8	2.0	2.2	2.3	2.3
OECD GDP	1.8	1.1	1.8	2.1	2.2	2.2
EU27 GDP	1.6	-0.6	0.8	1.3	1.7	1.8
World GDP	2.6	2.1	2.7	2.9	3.1	3.0
World trade	5.8	4.0	5.6	6.2	6.5	6.5
Inflation indicators (% unless otherwise indicated)						
US CPI	3.1	2.1	2.2	2.1	2.2	2.2
OECD CPI	2.8	2.1	2.2	2.2	2.2	2.3
EU27 CPI	2.7	2.3	2.3	2.3	2.2	2.3
Manufactures (measured in US$)	6.8	-0.7	0.4	1.5	1.8	1.9
Oil (Brent; US$/b)	111.0	110.0	103.6	108.3	104.0	110.0
Non-oil commodities (measured in US$)	26.3	-12.2	-1.9	-3.6	3.4	2.8
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.2	0.2	0.2	0.3	1.2	2.6
€ 3-month interbank rate (av; %)	1.4	1.0	0.8	1.4	2.0	2.5
US$:€ (av)	1.39	1.28	1.24	1.23	1.24	1.26
¥:€ (av)	111.05	98.50	99.79	99.39	101.44	104.54

Economic growth

The Dutch economy fell into recession in the second half of 2011, with quarter-on-quarter contractions in the third and fourth quarters. In light of strong performance in the first half of 2011, the economy still recorded whole-year growth of 1.3%. We expect that subdued consumer sentiment, fiscal tightening and fragile export demand will keep the country in recession in the first half of 2012. We then forecast modest quarter-on-quarter growth in the second half, but an overall contraction of 0.8% for 2012. As the Netherlands' main trading partner, Germany, will not face as deep a downturn as many other countries in the euro area, the downturn in the Netherlands is also likely to be less pronounced than previously expected. However, if confidence worsens precipitously amid ongoing concerns about sovereign debt in the euro area, the economy could well be even weaker than currently expected.

A meagre recovery in private consumption and a stronger one in fixed investment should contribute to a moderate pick-up in GDP growth to 1.5% on average during 2013-16, given the headwinds of continuing fiscal consolidation, substantial household debt, restricted credit availability and expected sluggish growth in trading partners. This forecast has downside risks, mainly linked to a possible deterioration of the euro area debt crisis, which would result in a renewed EU financial seizure.

Private consumption fell 0.9% in real terms in 2011. We forecast another contraction of 0.6% in 2012. Rising unemployment and slow growth in nominal wages will sap disposable income, and consumers are likely to remain cautious. Employment should recover later in the forecast period, but unemployment is still expected to drift upwards in 2012-13. Greater efforts to save will also weigh on consumer spending. Private consumption growth is expected to recover to a still-low 1% by 2016. Government consumption is forecast to decline in 2012-14 (after moderate growth in 2011), a reflection of fiscal cuts, before growing slightly in 2015-16. Investment spending weakened markedly in late 2011, but given strong investment growth early in the year, robust expansion of 5.6% was still recorded for 2011 as a whole. Nonetheless, weak business confidence amid lower domestic and foreign demand will lead to a contraction of at least 3% in 2012. Growth rates should pick up in 2013-16, but tight credit conditions will weigh on new capacity investment. Fiscal tightening will lead to weak public investment for much of the forecast period. As a result, real fixed investment spending is not expected to return to pre-crisis levels before 2015-16.

Exports and imports are slowing after strong performance in the first half of 2011. Momentum contributed to still-robust growth rates in 2011. Amid a sharp contraction in domestic demand in 2012, we expect imports to contract markedly in 2012. Exports are also set to decline, but at a slower pace than imports. Export growth is likely to outperform import growth in 2013. However, from 2014 we expect stronger growth rates for imports than for exports as domestic demand recovers.

Economic growth

%	2011[a]	2012[b]	2013[b]	2014[b]	2015[b]	2016[b]
GDP	1.3	-0.8	1.3	1.4	1.7	1.6
Private consumption	-0.9	-0.6	0.7	0.6	0.8	1.0
Government consumption	0.4	-1.0	-0.7	-0.1	0.2	0.3
Gross fixed investment	5.6	-3.0	2.0	4.0	5.0	6.0
Exports of goods & services	3.7	-0.7	2.7	3.4	4.1	4.3
Imports of goods & services	3.5	-1.6	2.4	3.5	4.5	5.1
Domestic demand	0.8	-1.9	1.0	1.3	1.8	1.9
Agriculture	0.0[c]	0.8	0.6	1.0	1.1	1.3
Industry	1.5[c]	-0.3	1.1	1.3	1.5	1.6
Services	1.3[c]	-1.0	1.5	1.5	1.8	1.6

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Inflation

Inflation (EU harmonised measure) averaged 2.5% in 2011. We expect it to moderate to an average of 1.9% a year during the forecast period. Domestic demand is expected to be subdued for most of 2012-16, although imported inflation, especially from commodities, may contribute to upward price pressures later in the forecast period. Nominal wage growth is expected to be below inflation until 2014, meaning that real wages will fall in 2012-13.

Exchange rates

Although not our central forecast, a high risk is that several countries will be forced to leave the euro zone during the next two years. Assuming that the currency bloc survives in its present form, the euro will remain volatile in response to the region's protracted debt and banking crises. The euro has weakened steadily from US$1.44:€1 in August 2011 to around US$1.33:€1 in late February. With market tensions over sovereign debt sustainability, banking solvency and economic weakness set to persist, we forecast that the euro will weaken further in 2012-13. We project an average exchange rate of US$1.27:€1 in 2012 and US$1.24:€1 over 2013-16, while recognising significant risks of sharp movements in either direction.

External sector

The income balance turned positive in 2010, after three years in negative territory, whereas the structural trade and services surpluses rose higher. We estimate that the trade and income surpluses increased in 2011. During the forecast period (especially from 2013), we expect the trade sector to struggle to replicate its high performance in 2010-11, as some trade partners in the euro area find it difficult to secure financing for their deficits. The current-account surplus is expected to persist during the forecast period, but is poised to narrow from an estimated peak of 8.2% of GDP in 2012 to around 5% by 2016.

Forecast summary

(% unless otherwise indicated)

	2011[a]	2012[b]	2013[b]	2014[b]	2015[b]	2016[b]
Real GDP growth	1.3	-0.8	1.3	1.4	1.7	1.6
Industrial production growth	-0.7	-0.6	0.9	1.2	1.7	1.8
Unemployment rate (av)	5.2	5.4	5.6	5.5	5.4	5.0
Unemployment rate (av; EU/OECD standardised measure)	4.4	5.2	5.4	5.3	4.9	4.5
Consumer price inflation (av; EU harmonised measure)	2.5	2.0	1.7	1.9	1.8	1.9
Short-term interbank rate	1.4[c]	1.0	0.8	1.4	2.0	2.5
Government balance (% of GDP)	-4.8[c]	-4.0	-3.2	-2.2	-1.2	-0.4
Exports of goods fob (US$ bn)	551.9[c]	529.5	548.9	581.0	643.4	712.9
Imports of goods fob (US$ bn)	493.1[c]	467.8	490.2	529.2	591.1	667.6
Current-account balance (US$ bn)	65.7[c]	63.9	60.4	52.8	49.8	43.1
Current-account balance (% of GDP)	7.8[c]	8.2	7.7	6.6	6.0	5.0
Exchange rate US$:€ (av)	1.392	1.275	1.240	1.228	1.238	1.260
Exchange rate US$:€ (end-period)	1.319	1.245	1.230	1.240	1.255	1.259
Exchange rate ¥100:€ (av)	1.110	0.985	0.998	0.994	1.014	1.045
Exchange rate €:£ (av)	1.152	1.218	1.279	1.285	1.290	1.280

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Quarterly forecasts

	2011				2012				2013			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
GDP												
% change, quarter on quarter	0.7	0.1	-0.4	-0.7	-0.3	-0.2	0.4	0.5	0.3	0.4	0.2	0.2
% change, year on year	2.3	1.8	1.3	-0.3	-1.3	-1.6	-0.8	0.4	1.1	1.6	1.4	1.1
Private consumption												
% change, quarter on quarter	-0.5	-0.5	-0.4	-0.6	-0.2	-0.1	0.5	0.6	0.0	0.1	0.0	-0.1
% change, year on year	-0.4	-0.4	-0.9	-2.0	-1.7	-1.3	-0.4	0.8	1.1	1.2	0.6	0.0
Government consumption												
% change, quarter on quarter	0.0	0.1	-0.2	-0.1	-0.6	-0.5	0.1	0.2	-0.3	-0.3	-0.4	-0.4
% change, year on year	1.4	0.6	-0.1	-0.2	-0.8	-1.4	-1.0	-0.7	-0.4	-0.3	-0.8	-1.4
Gross fixed investment												
% change, quarter on quarter	6.9	-1.5	-1.1	-1.0	-0.8	-0.7	-0.1	0.0	0.9	0.9	0.8	0.8
% change, year on year	10.0	4.6	5.0	3.1	-4.3	-3.5	-2.5	-1.6	0.1	1.7	2.7	3.5
Exports of goods & services												
% change, quarter on quarter	0.6	0.7	-0.9	-0.1	-0.4	-0.3	0.3	0.4	0.9	1.0	0.9	0.8
% change, year on year	6.9	5.5	2.5	0.3	-0.7	-1.6	-0.5	0.0	1.4	2.6	3.2	3.7
Imports of goods & services												
% change, quarter on quarter	1.9	0.2	-1.6	0.2	-0.7	-0.5	0.1	0.1	1.0	1.0	0.9	0.9
% change, year on year	7.2	4.2	2.0	0.7	-1.9	-2.6	-0.9	-1.0	0.7	2.2	3.0	3.8
Domestic demand												
% change, quarter on quarter	1.6	0.2	-1.6	-0.8	-0.5	-0.4	0.5	0.4	0.5	0.2	0.4	-1.2
% change, year on year	2.3	0.7	0.7	-0.7	-2.7	-3.3	-1.3	0.0	1.0	1.6	1.5	-0.2
Consumer prices												
% change, quarter on quarter	0.7	1.4	0.1	0.3	0.8	1.1	-0.8	0.4	0.7	1.1	-0.6	0.8
% change, year on year	2.0	2.2	2.6	2.5	2.7	2.3	1.4	1.6	1.5	1.5	1.7	2.1
Producer prices												
% change, quarter on quarter	3.8	2.2	-0.7	0.8	1.0	0.2	0.5	0.3	0.8	0.3	0.7	0.7
% change, year on year	10.3	10.4	7.9	6.2	3.3	1.3	2.4	2.0	1.8	1.9	2.1	2.4
Exchange rate €:US$												
Average	0.73	0.69	0.71	0.74	0.78	0.78	0.79	0.80	0.81	0.81	0.81	0.81
End-period	0.70	0.69	0.74	0.77	0.78	0.78	0.79	0.80	0.81	0.81	0.81	0.81
Interest rates (%; av)												
Money market rate	1.1	1.4	1.6	1.5	1.2	1.0	0.9	0.9	0.8	0.8	0.8	0.8
Long-term bond yield	3.4	3.4	2.7	2.4	2.4	2.3	2.3	2.3	2.3	2.5	2.7	2.9

Monthly review: March 2012

The political scene

Job Cohen steps down as Labour opposition leader

On February 20th Job Cohen stepped down as leader of the centre-left opposition party, the Labour Party (PvdA), a position which he had held since March 2010. During his resignation speech, Mr Cohen admitted that there was unrest within his party. Many party members had lost faith in his ability to lead. Mr Cohen's most likely successors are Diederik Samsom, Mariette Hamer or Ronald Plasterk, all members of the PvdA faction in parliament. However, the next leader is likely to be an interim leader. Many believe that Lodewijk Asscher, a member of the municipal executive in Amsterdam, would be the ideal longer-term candidate.

Under Mr Cohen's leadership, the PvdA won 30 seats at the general election in June 2010, one less than the centre-right Liberals (VVD), the party of the prime minister, Mark Rutte. Shortly before Mr Cohen's resignation, an opinion poll conducted by Maurice de Hond had shown that the PvdA's decline in voter support continued: if an election had been held at the time of the poll, the PvdA would just have obtained 14 seats in parliament.

The Labour Party is challenged by the Socialists

The left-wing Socialist Party (SP) has benefited the most from the PvdA's decline (see In focus box). Opinion polls show that the PvdA's biggest problem is not just its leader but also the direction (towards the political centre) that the party has taken: 30% of Dutch people believe the PvdA's problems are the result of this change in direction, while 40% think the PvdA should move back to the left of the political spectrum (two-thirds of PvdA voters hold this view). Indeed, only days before Mr Cohen's resignation, he and the party chairman, Hans Spekman, had given an interview to a daily newspaper, *Trouw*, in which they highlighted the similarities between the PvdA and the SP, leading to speculation that the party may plan to shift to the left.

In focus: The Labour Party repositions itself

In January 2012 Job Cohen, leader of the centre-left main opposition Labour Party (PvdA), had announced that the party was not prepared to provide the government with a parliamentary majority to pass extra spending cuts. The positioning of the PvdA in parliament is important for the minority government, which comprises the centre-right Liberals (VVD) and the centrist Christian Democratic Appeal (CDA), as the coalition depends on opposition support in policy areas where it does not have the support of its partner, the right-wing Party for Freedom (PVV).

In recent years the PvdA has backed the government on major issues such as pension reform and the euro area debt crisis. However, the PvdA will not come to the government's aid if the VVD and CDA fail to reach agreement with the PVV on new spending cuts; the PVV has been the government's primary partner in economic policy, but is sceptical of additional budget cuts. This means that the VVD, CDA and PVV depend on each other in their efforts to cut the budget deficit.

The PvdA is against most government policy, but the party agreed with the government on saving the euro and on raising the retirement age. When the PVV abandoned the government, the PvdA came to its rescue. However, the PvdA has paid a heavy price for this support in the opinion polls, where it is at a historic low. Traditionally one of the two largest parties (along with the CDA), the PvdA has seen its supporters flock mostly to the Socialist Party (SP), which has never voted with the government. Moreover, the SP leader, Emile Roemer, has increasingly been regarded as the real leader of the opposition. The SP is at a historic high, topping the latest poll by Maurice de Hond (February 19th) with a tally of parliamentary seats of 33, up from 15 actually achieved at the 2010 general election.

Mr Cohen's change of direction was hardly a surprise. In return for his support of the government, Mr Cohen had been mocked regularly by the PVV leader, Geert Wilders. Moreover, in areas such as social security and care the government has been moving in a direction that is unacceptable to the PvdA.

Even within his own party, Mr Cohen had come under increasing pressure. Research carried out by a daily newspaper, *NRC Handelsblad*, in January 2012 had revealed that a large majority of regional and local PvdA politicians did not regard Mr Cohen as the right person to head the party list at the next general election (only 20% did). One-third thought that Lodewijk Asscher, a member of the municipal executive in Amsterdam, would be a better leading candidate.

With Mr Cohen resigning in February 2012, the party is likely to reposition itself further away from the centre-right government coalition and its right-wing partner, to avoid losing even more voters to the SP.

Website by far-right Party for Freedom proves controversial

In a joint letter to the prime minister, ten central and eastern European countries urged the Dutch parliament to take down a controversial website created by the right-wing Freedom Party (PVV) led by Geert Wilders that encourages Dutch citizens to complain about immigrants from central and eastern Europe. Citizens can report various types of nuisance including making noise, drunkenness, and bad parking. The PVV has linked "massive labour immigration" with social problems in the country, and wants to present the findings from the website to the minister for social affairs and employment. Mr Rutte, who relies on Mr Wilders' support in parliament, has refused to condemn the website.

The European Parliament will discuss the website on March 13th. Mr Rutte has been asked to clarify the Dutch government's stance on the website. The invitation from the European Parliament puts the prime minister in a difficult position. If he goes to Strasbourg he can expect a heated debate, including with parliamentarians from central and eastern Europe. If he declines, he will seem less courageous than other European leaders who have come to Strasbourg to defend themselves against heavy criticism.

Popular support for the far right increases

Following the creation of the website, support for the PVV rose in the latest opinion poll by Maurice de Hond. If an election had been held at the time of the poll, the PVV would have got 24 seats in parliament, four more than a week earlier. This halted the decreasing trend in PVV's popularity in recent months; the party is back at the level of its 2010 general election result.

Mr Rutte's refusal to condemn Mr Wilders and his website can be explained by the VVD's fear that this would harm the party electorally; many VVD voters sympathise with the PVV's tough stance on immigration.

Economic policy

The government's spring budget is highly anticipated

With the Centraal Bureau voor de Statistiek (CBS, the national statistics office) revealing in mid-February that the Netherlands is now officially in recession (see Economic performance), the government's response to the downturn is highly anticipated. Crucial in this respect will be the publication of the 2012-13 economic forecasts by the government's economic advisory body, the Central Planning Bureau (CPB), on March 1st. The CPB will also present longer-term forecasts for 2014-15 on March 20th. These forecasts will form the basis for the forthcoming spring budget memorandum (to be published no later than June 1st 2012).

In his reaction to the latest economic figures, the minister for economic affairs, Maxime Verhagen, called for concerted efforts to introduce structural reforms and support businesses. The employers' organisations, the Confederation of Netherlands Industry and Employers (VNO-NCW) and MKB-Nederland, believe that there should be no additional taxes for companies and households. They also reiterated their call for a general freeze of public- and private-sector salaries and benefits to boost companies' competitiveness. By contrast, the Netherlands Trade Union Confederation (FNV) wants to see real incomes increase to restore consumer confidence.

Parties position themselves for upcoming budget talks

For the governing parties, the figures have become the starting-point for intense discussions about spending cuts and reforms. The party leaders, Mr Rutte (VVD), Mr Verhagen (CDA) and Mr Wilders (PVV), have three weeks (starting from March 5th) to agree on a revised budget. It is said that there are no "taboo" topics left; even controversial issues such as the mortgage-tax relief (February 2012, Economic policy) may be tackled. The VVD promotes budget discipline; the CDA calls for structural reforms; the PVV continues to argue that development aid needs to be cut before any other areas can be touched. However, the CDA and the Reformed Political Party, which supports the governing coalition in the Senate (the upper house) object to further cuts in development aid.

By contrast, the opposition calls for investment in the labour market, innovation and education (PvdA); stimulating the economy instead of making further cuts (SP); and reforming the property market, pension system and investing in labour participation (Democrats 66).

Changes to pension system and payments are planned

In February the Second Chamber (the lower house) approved the increase in the national pension age from 65 to 66 years in 2020. This should allow employers sufficient time to make the necessary changes for the additional year of work. The bill still needs to be approved by the Senate.

In a separate pension development, De Nederlandsche Bank (DNB, the central bank) revealed how many (103) and which pension funds will need to cut their pension payments to increase their reserve ratio to the required legal level of 105% by end-2013 (February 2012, Economic policy). On average, payments will decline by 2.3% in 2013, but in the case of 34 funds, cuts could exceed 7%. The level of cuts will be adjusted to the latest economic figures by end-2012. The cuts would apply from April 1st 2013 and affect approximately 7.5m people.

New measures aim to attract private investment in hospitals

A proposal by the minister of health, Edith Schippers, aims to help hospitals attract private investment. The minister believes that this would allow for better healthcare services, lower costs and reduced reliance on banks. State regulation of the private investment would include healthcare inspections before investors are paid any returns and close inspection of reserve capital. Moreover, returns would not be allowed in the first three years of investment.

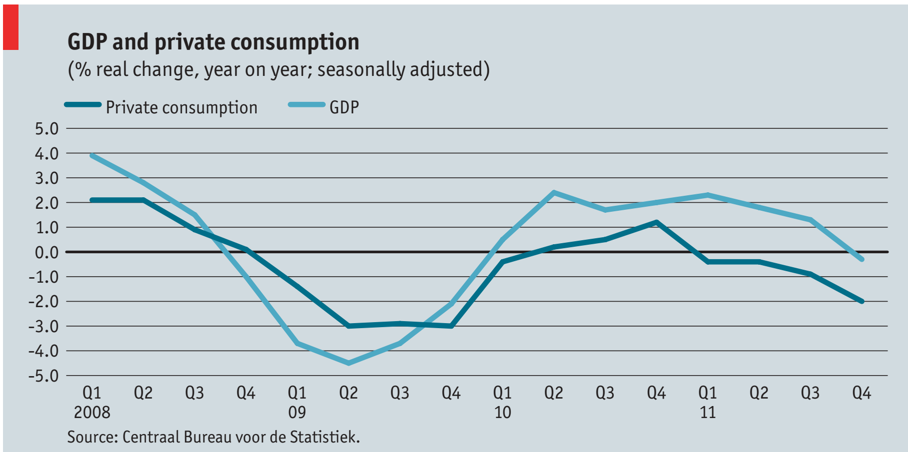
Central bank objects to financial-transaction tax

The DNB has advised against the introduction in the Netherlands of the proposed European financial transaction tax. According to the central bank, the tax would affect the Netherlands more than other countries owing to the size of the financial sector, and could cost Dutch banks, pension funds and insurance companies around €4bn annually. The DNB's advice confirms an earlier CPB report that warned about the negative consequences of the tax for the Dutch economy and questioned the ability of the tax to stop high-risk transactions.

Economic performance

The economy contracted in the fourth quarter

According to provisional figures from the CBS, seasonally adjusted real GDP contracted by 0.7% quarter on quarter in the fourth quarter of 2011. Following on from a revised decline of 0.4% in the third quarter, this means that the Netherlands fell into a technical recession (defined as two consecutive quarters of contraction). The economy contracted by 0.3% year on year, bringing the annual average growth rate for 2011 to 1.3%. The weak fourth-quarter performance mainly reflected subdued domestic demand, with the external sector and declining inventory levels also having a negative impact.



Source: Centraal Bureau voor de Statistiek.

Household spending fell 0.6% quarter on quarter and 2% year on year; the decline averaged 0.9% over 2011. According to the CBS, the fall was partly attributable to a substantial drop in consumption of natural gas amid unusually mild weather conditions in the fourth quarter. Furniture and car sales also declined significantly. Government consumption also fell fractionally quarter on quarter. Fixed investment contracted sharply for the third consecutive quarter, by 1%. This was because of weaker business investment, as government investment actually increased. However, the quarterly figures were distorted by a one-off surge in January-March 2011, and spending then fell back. Year-on-year growth was still positive (at 3.1%) in the fourth quarter, and investment increased by 5.6% for 2011 as a whole.

The external sector detracted from real GDP in the fourth quarter, in contrast to positive contributions in the two preceding quarters. Goods and services exports fell 0.1% quarter on quarter, while import volumes rose 0.2%. But for 2011 as a whole, net exports added 0.5 percentage points to growth, with exports rising by 3.7% and imports by 3.5%.

Lower gas production undermines output growth

The output breakdown of GDP indicates a significant contraction in the volatile mining and quarrying sector, which includes natural gas extraction. In quarter-on-quarter terms, mining output dropped 10.4%, and it was down by 16.2% year on year. The decline more than wiped out the 4.8% quarterly rise in the previous quarter. For the year, output dropped 7.9%, reducing overall GDP by 0.2 percentage points. But the fourth-quarter figures also show declines in output in most other sectors, including a 2.3% drop in value added in manufacturing, a 2.2% drop in electricity and gas supply, and a 0.9% fall in construction activity. Output in the commercial services sector also registered a fractional decline.

Inflation accelerates in January

In January 2012 consumer price inflation (EU harmonised measure), rose to 2.9%, up from 2.5% in December; the rate in January was slightly above the euro area average of 2.7%. The rise was partly owing to the annual adjustment in supplementary health-insurance premiums, which takes place in January each year. Premiums increased by 5.5% year on year. Inflation was also boosted by higher prices for petrol, gas and electricity.

Data and charts

Annual data and forecast

	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[c]	2013[c]
GDP							
Nominal GDP (US$ bn)	784.6	874.5	796.2	781.1	840.8[a]	781.7	781.6
Nominal GDP (€ bn)	572	595	571	588	604[a]	613	630
Real GDP growth (%)	3.9	1.8	-3.5	1.6	1.3[a]	-0.8	1.3
Expenditure on GDP (% real change)							
Private consumption	1.8	1.3	-2.6	0.4	-0.9[a]	-0.6	0.7
Government consumption	3.5	2.8	4.8	1.0	0.4[a]	-1.0	-0.7
Gross fixed investment	5.5	4.5	-10.2	-4.4	5.6[a]	-3.0	2.0
Exports of goods & services	6.4	2.0	-8.1	10.8	3.7[a]	-0.7	2.7
Imports of goods & services	5.6	2.3	-8.0	10.6	3.5[a]	-1.6	2.4
Origin of GDP (% real change)							
Agriculture	3.9	0.8	-1.1	0.3	0.0	0.8	0.6
Industry	4.1	1.2	-6.2	2.6	1.5	-0.3	1.1
Services	3.8	2.0	-2.8	1.4	1.3	-1.0	1.5
Population and income							
Population (m)	16.4	16.4	16.5	16.6	16.7	16.7	16.8
GDP per head (US$ at PPP)	40,834	42,871	40,869	42,347	43,318	43,802	45,083
Recorded unemployment (av; %)	4.5	3.9	4.8	5.5	5.2[a]	5.4	5.6
Fiscal indicators (% of GDP)							
General government revenue	45.4	46.7	46.0	46.2	46.3	45.1	44.8
General government expenditure	45.2	46.2	51.5	51.2	50.5	49.1	48.0
General government balance	0.2	0.5	-5.5	-5.0	-4.8	-4.0	-3.2
Public debt	45.3	58.4	60.7	62.9	66.0	69.9	71.2
Prices and financial indicators							
Exchange rate US$:€ (av)	1.37	1.47	1.39	1.33	1.39[a]	1.28	1.24
Exchange rate ¥:€ (av)	161.4	152.0	130.4	116.5	111.0[a]	98.5	99.8
EU-harmonised consumer prices (av; %)	1.6	2.5	1.2	1.3	2.3[a]	2.0	1.7
Producer prices (av; %)	5.2	8.9	-9.8	4.0	8.7[a]	2.2	2.0
Deposit interest rate (av; %)	3.9	4.4	2.8	1.0	1.5	1.1	1.7
Current account (US$ bn)							
Trade balance	57.4	61.1	46.8	51.6	58.8	61.6	58.7
Goods: exports fob	465.8	530.2	419.8	480.7	551.9	529.5	548.9
Goods: imports fob	-408.4	-469.1	-373.0	-429.1	-493.1	-467.8	-490.2
Services balance	12.2	13.1	7.9	10.6	10.2	8.6	7.6
Income balance	-0.6	-19.5	-10.7	3.5	13.9	10.4	12.4
Current transfers balance	-16.2	-17.2	-10.3	-14.4	-17.2	-16.8	-18.4
Current-account balance	52.7	37.5	33.8	51.3	65.7	63.9	60.4

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2010				2011			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
General government finance (€ bn)								
Revenue	68,183	67,723	60,157	75,764	70,578	66,805	n/a	n/a
Expenditure	72,062	77,510	70,065	76,939	72,287	78,333	n/a	n/a
Balance	-3,879	-9,787	-9,908	-1,175	-1,709	-11,528	n/a	n/a
Output (seasonally adjusted)								
GDP at constant 2000 prices (€ bn)	136.8	137.5	137.7	138.9	139.9	140.1	139.5	n/a
Industrial production (2000=100)	104.0	105.3	102.6	105.9	104.9	103.7	105.1	101.0
Industrial production (% change, year on year)	7.6	11.0	4.1	5.7	0.9	-1.5	2.4	-4.6
Employment, wages & prices								
Total employment ('000)	7,358	7,371	7,390	7,434	7,411	7,371	7,377	7,400
EU harmonised unemployment rate (seasonally adjusted; %)	4.5	4.5	4.5	4.4	4.3	4.2	4.4	4.9
Hourly wage rates (2000=100)	126.5	126.8	127.1	127.6	127.8	128.2	128.8	129.5
EU-harmonised consumer prices (2005=100)	106.7	108.1	107.4	108.0	108.7	110.6	110.7	110.9
EU-harmonised consumer prices (% change, year on year)	0.5	0.4	1.3	1.5	1.9	2.2	3.1	2.6
EU-harmonised producer price index (2005=100)								
Producer prices	111.8	116.2	117.4	119.8	125.8	128.9	128.6	129.6
Intermediate goods	108.8	114.4	115.3	117.7	125.0	128.5	127.6	126.0
Consumer goods	112.0	113.8	115.1	117.0	120.8	122.1	122.0	123.0
Investment goods	106.6	107.2	107.5	107.6	108.3	108.6	108.6	108.7
Financial indicators								
Exchange rate US$:€ (av)	1.38	1.27	1.29	1.36	1.37	1.44	1.41	1.35
Exchange rate US$:€ (end-period)	1.35	1.23	1.36	1.34	1.42	1.45	1.35	1.29
ECB refinancing rate (end-period; %)	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.00
Government bond yield (av; %)[a]	3.4	3.1	2.6	2.8	3.4	3.4	2.7	2.4
Stock price index: AEX (period average; December 31st 1983=100)	344.2	316.8	334.4	354.6	365.6	339.7	280.2	312.5
Sectoral trends								
Manufacturing production (seasonally adjusted; 2000=100)	99.9	103.2	102.2	103.3	106.9	105.2	105.0	104.0
Retail trade (2000=100)[b]	98.8	110.7	107.3	114.9	100.7	112.3	107.8	115.2
Foreign trade (€ bn)								
Goods exports fob	87.2	91.1	92.9	100.4	101.2	100.4	99.8	103.4
Goods imports cif	76.8	83.8	82.1	89.3	90.9	90.4	90.9	91.8
Trade balance	10.4	7.3	10.8	11.2	10.3	10.0	9.0	11.6
Balance of payments (€ m)								
Merchandise trade balance fob-fob	10,584	6,386	10,106	11,822	11,300	8,560	10,386	n/a
Services balance	2,645	1,983	360	2,975	2,405	2,370	831	n/a
Income balance	1,396	662	339	263	3,840	3,035	1,561	n/a
Net transfer payments	-3,409	-2,500	-2,017	-2,948	-3,502	-2,676	-2,377	n/a
Current-account balance	11,216	6,532	8,787	12,113	14,043	11,290	10,401	n/a

[a] Ten-year bonds. [b] Value, including repairs.

Sources: Centraal Bureau voor de Statistiek (CBS), *Statistisch Bulletin*; De Nederlandshe Bank (DNB); Eurostat; IMF, *International Financial Statistics*.

Monthly data

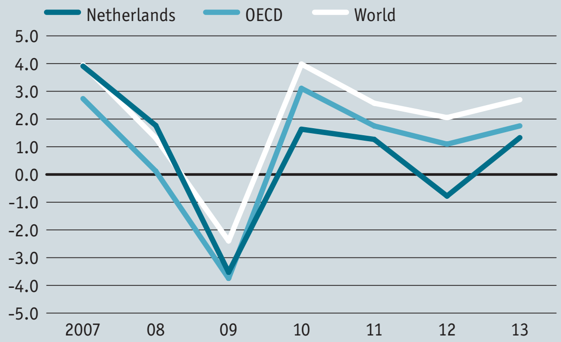
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate US$:€ (av)												
2010	1.43	1.37	1.36	1.34	1.26	1.22	1.28	1.29	1.31	1.39	1.37	1.32
2011	1.34	1.36	1.40	1.44	1.43	1.44	1.43	1.43	1.38	1.37	1.36	1.32
2012	1.29	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Exchange rate US$:€ (end-period)												
2010	1.40	1.36	1.35	1.33	1.23	1.23	1.30	1.27	1.36	1.39	1.30	1.34
2011	1.37	1.38	1.42	1.49	1.44	1.45	1.43	1.45	1.35	1.40	1.34	1.29
2012	1.32	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Real effective exchange rate (2000=100; CPI-basis)												
2010	101.8	100.6	100.6	99.8	98.1	97.1	98.0	97.7	98.0	99.6	98.7	97.8
2011	97.5	97.8	98.5	99.5	99.1	99.4	99.2	99.2	98.5	98.5	97.9	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2010	1.1	1.0	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.0
2011	1.2	1.1	1.2	1.3	1.5	1.6	1.6	1.6	1.6	1.6	1.6	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lending rate (av; %)												
2010	3.0	2.9	2.9	3.0	3.0	2.8	3.1	3.0	3.1	3.2	3.2	3.1
2011	3.1	3.0	3.1	3.3	3.2	3.4	3.3	3.2	3.2	3.2	3.1	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Industrial production (seasonally adjusted; % change, year on year)												
2010	6.4	6.7	9.8	13.6	12.2	7.3	5.1	4.9	2.3	5.9	6.8	4.5
2011	-0.1	2.2	0.6	-1.0	-2.2	-1.3	3.6	1.8	1.9	-2.6	-4.9	-6.3
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Retail sales, volume (% change, year on year)												
2010	-5.6	-4.3	1.3	-1.8	-3.1	1.0	-0.7	-0.6	1.6	-2.9	3.5	-1.3
2011	-1.1	1.4	-0.4	0.9	-1.9	-2.4	-3.4	-0.1	-3.7	-4.4	-1.8	-1.4
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unemployment rate (seasonally adjusted; %)												
2010	5.7	5.8	5.7	5.6	5.6	5.5	5.5	5.3	5.3	5.2	5.2	5.1
2011	5.1	5.1	5.1	5.0	5.1	5.0	5.3	5.4	5.6	5.8	5.8	5.8
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average hourly wages (% change, year on year)												
2010	1.7	1.5	1.3	1.3	1.2	1.1	1.1	1.2	1.2	1.1	1.1	1.2
2011	1.0	1.1	1.1	1.1	1.1	1.2	1.3	1.3	1.3	1.4	1.5	1.5
2012	1.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stock price index: AEX (end-period; December 31st 1983=100)												
2010	328	318	344	346	321	317	331	316	334	337	327	355
2011	361	369	366	360	349	340	329	293	280	308	300	312
2012	318	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EU-harmonised consumer prices (av; % change, year on year)												
2010	0.4	0.3	0.6	0.6	0.4	0.3	1.3	1.2	1.4	1.4	1.4	1.8
2011	1.9	2.0	1.8	2.1	2.3	2.3	3.3	3.3	2.9	2.8	2.6	2.5
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EU-harmonised producer prices (av; % change, year on year)												
2010	-3.4	-1.9	0.7	4.5	4.5	4.7	6.1	5.8	6.3	6.3	6.6	7.8
2011	10.1	10.2	10.6	11.3	10.7	9.1	8.3	7.8	7.7	6.9	6.7	5.0
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total exports fob (€ bn)												
2010	26.8	27.6	32.8	29.6	29.3	32.2	30.7	29.5	32.7	32.8	34.1	33.5
2011	32.0	32.3	36.9	33.1	34.3	33.0	32.7	32.4	34.7	33.3	35.5	34.5
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total imports cif (€ bn)												
2010	24.6	23.8	28.5	27.1	27.1	29.6	27.7	26.4	28.0	29.5	30.0	29.8
2011	29.1	28.5	33.4	28.9	31.1	30.4	29.2	30.2	31.4	30.4	31.1	30.2
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trade balance fob-cif basis (€ bn)												
2010	2.2	3.8	4.3	2.6	2.2	2.5	3.0	3.1	4.7	3.4	4.1	3.8
2011	2.9	3.8	3.5	4.2	3.2	2.7	3.5	2.2	3.3	2.9	4.4	4.3
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: IMF, *International Financial Statistics*; Haver Analytics.

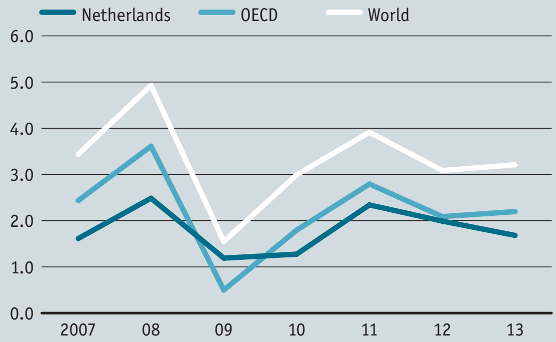
Annual trends charts

Real GDP growth
(% change)



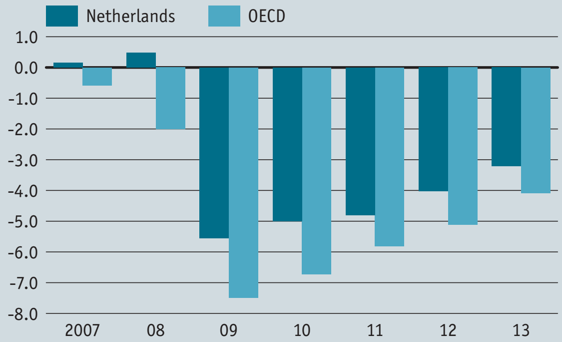
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



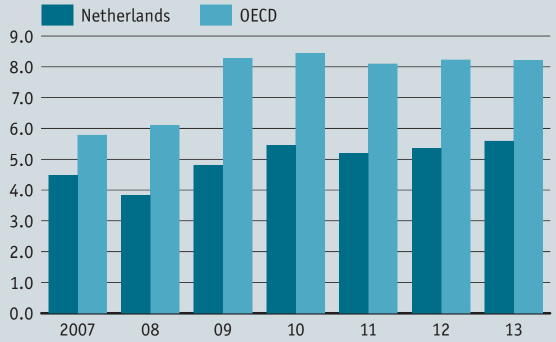
Source: Economist Intelligence Unit.

Budget balance
(% of GDP)



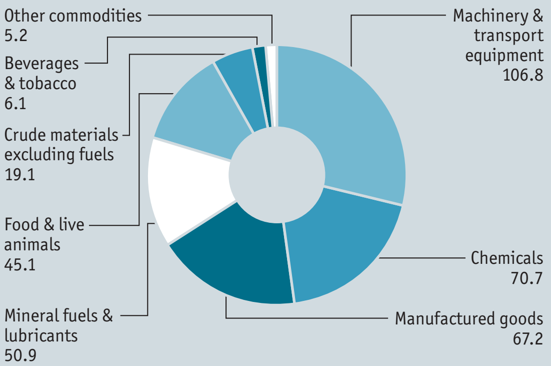
Source: Economist Intelligence Unit.

Recorded unemployment
(%)



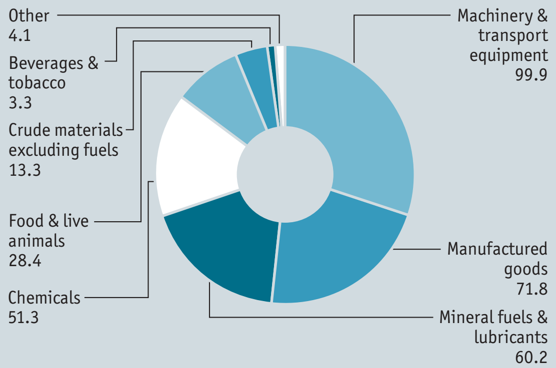
Source: Economist Intelligence Unit.

Principal exports, 2010
(€ bn)



Source: Economist Intelligence Unit.

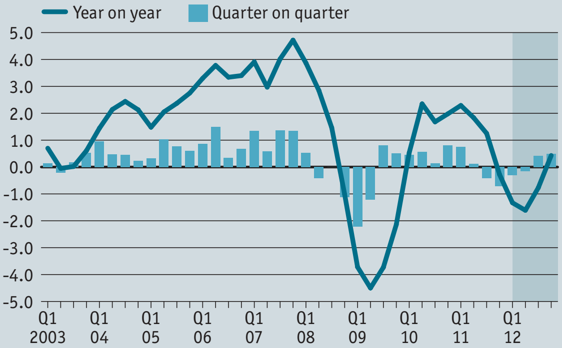
Principal imports, 2010
(€ bn)



Source: Economist Intelligence Unit.

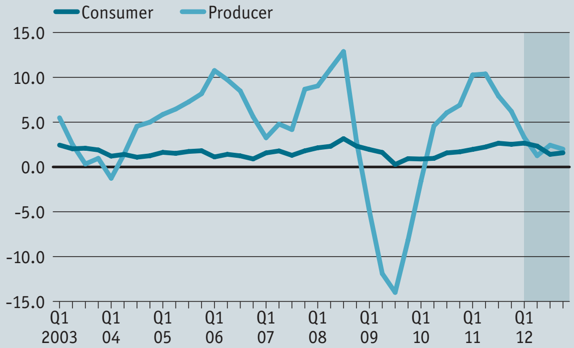
Quarterly trends charts

Real GDP growth
(% change)



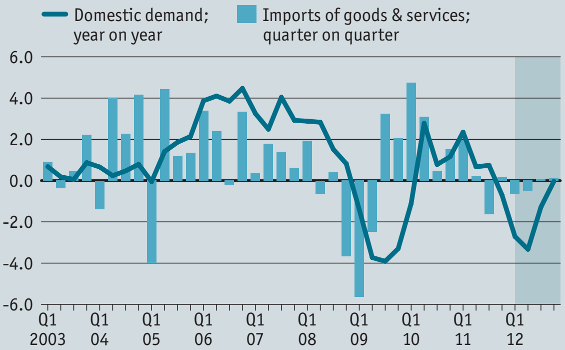
Source: Economist Intelligence Unit.

Price inflation
(av; %, year on year)



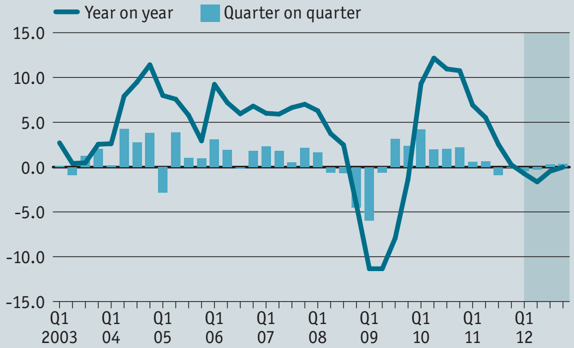
Source: Economist Intelligence Unit.

Imports and domestic demand
(% change)



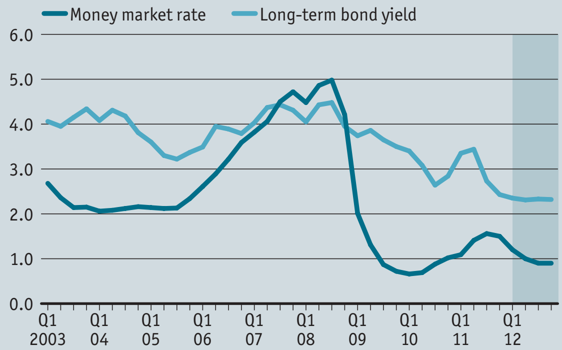
Source: Economist Intelligence Unit.

Exports of goods and services
(% change)



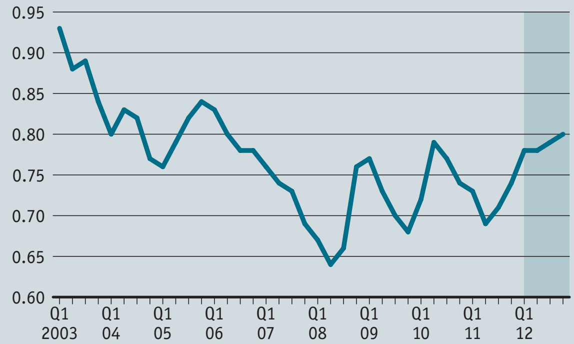
Source: Economist Intelligence Unit.

Interest rates
(av; %)



Source: Economist Intelligence Unit.

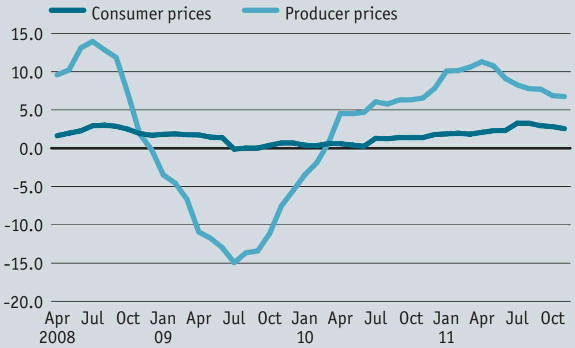
Exchange rate
(€:US$; av)



Source: Economist Intelligence Unit.

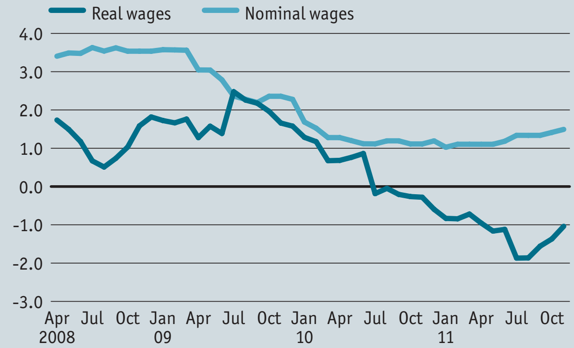
Monthly trends charts

Price inflation
(% change, year on year)



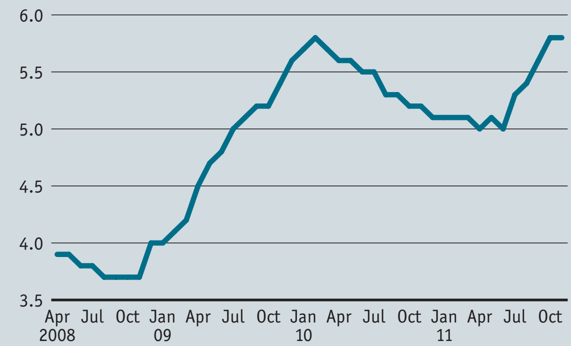
Source: Economist Intelligence Unit.

Wage growth
(% change, year on year)



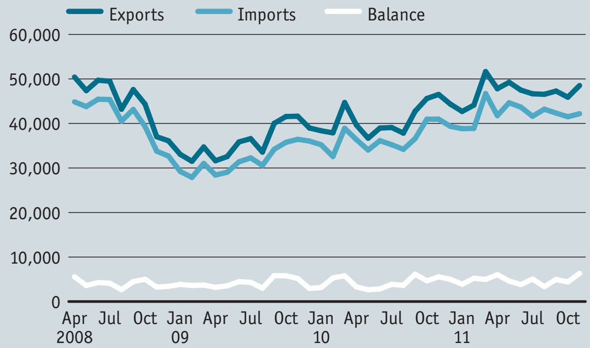
Source: Economist Intelligence Unit.

Unemployment rate
(%)



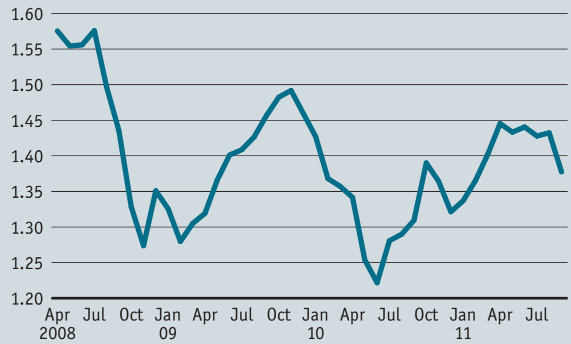
Source: Economist Intelligence Unit.

Foreign trade
(US$ m; goods only)



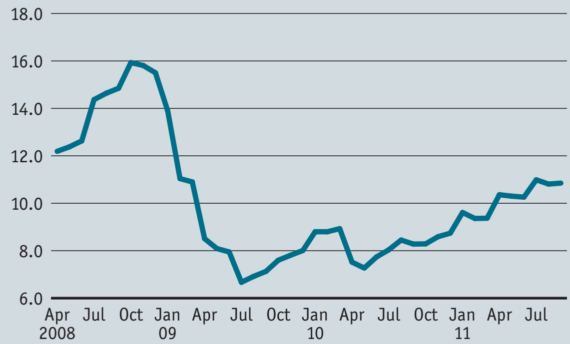
Source: Economist Intelligence Unit.

Exchange rate
(US$:€; av)



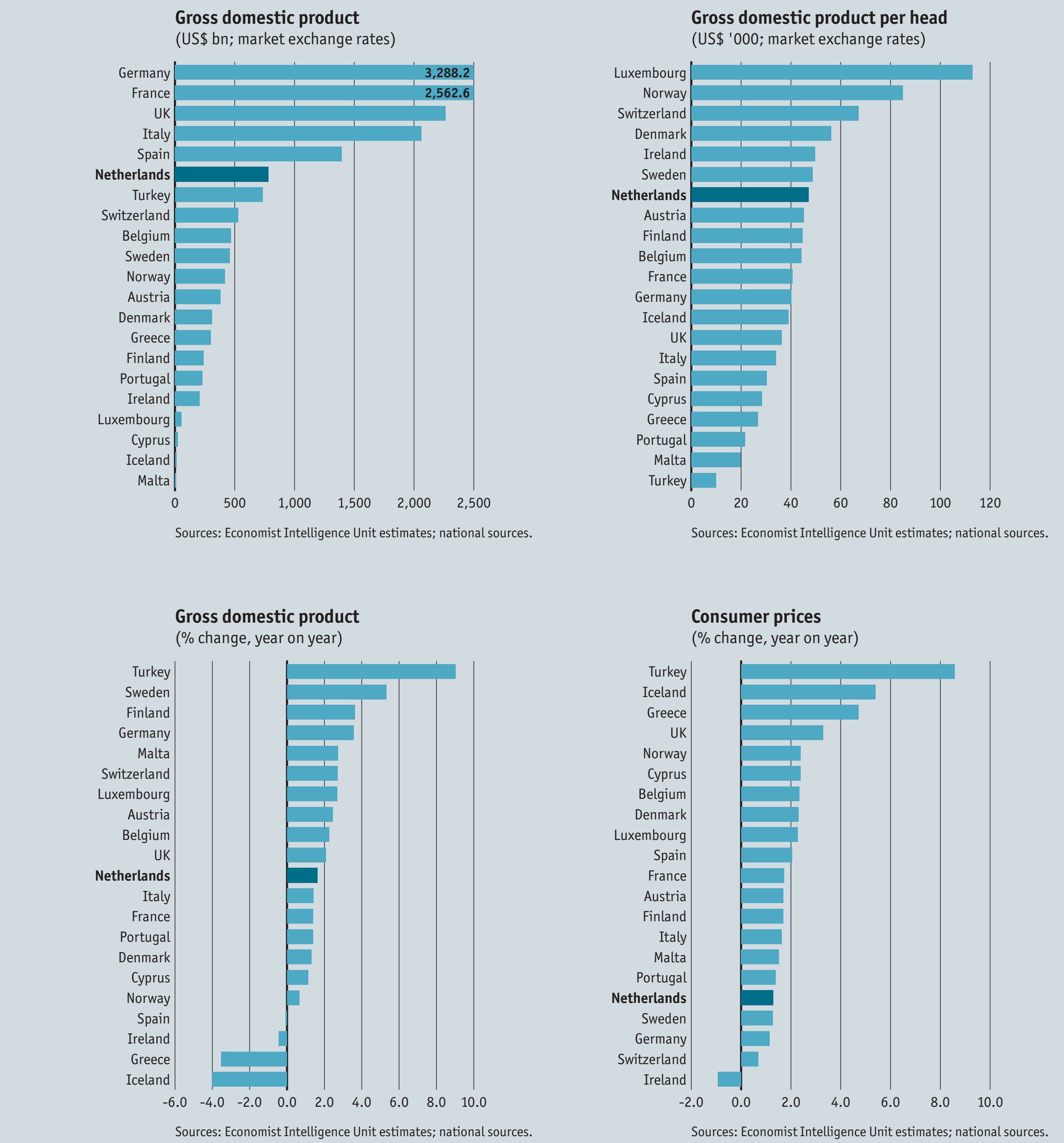
Source: Economist Intelligence Unit.

Natural gas: Europe price
(US$/BTU m)



Source: Economist Intelligence Unit.

Comparative economic indicators, 2010



Country snapshot

Basic data

Total area	41,526 sq km (including inland waters): 57.9% cultivated land, 7.6% forest, 7.5% built-up, 17.4% water, 3.5% nature reserve, 6.1% other
Population	16.7m (November 2011)
Main towns	Population in '000, end-December 2010

Amsterdam (joint capital)	780
Rotterdam	610
The Hague (joint capital)	495
Utrecht	311
Eindhoven	216
Tilburg	206

Climate	Temperate European continental climate subject to oceanic influences
Weather in Amsterdam (altitude 3 metres)	Hottest month, July, 13-22°C (average daily minimum and maximum); coldest month, January, 1-5°C; driest month, March, 45 mm average rainfall; wettest month, August, 85 mm average rainfall
Language	Dutch
Measures	Metric system
Currency	Euro (€) = 100 cents; in 2011: US$1.39:€1
Time	1 hour ahead of GMT, 2 hours ahead in the summer months
Public holidays	New Year's Day (January 1st), Good Friday (April 6th), Easter Monday (April 9th), Ascension Day (May 17th), Whit Monday (May 28th), Christmas Day (December 25th), Boxing Day (December 26th)

Political structure

Official name	Kingdom of the Netherlands
Form of state	Constitutional monarchy
National legislature	Bicameral Staten Generaal (parliament); First Chamber (Eerste Kamer, Senate) of 75 members elected by provincial states (regional parliamentary assemblies); Second Chamber of 150 members, directly elected for a four-year term. The First Chamber can only approve or reject bills and may not initiate or amend them
Electoral system	Universal direct suffrage over the age of 18. The whole country forms a single constituency, and the Second Chamber is elected by the d'Hondt system of proportional representation. The First Chamber is elected indirectly
National elections	A general election was held on June 9th 2010; the next one is due by May 2015, but could be held earlier
Head of state	Queen Beatrix, who acceded to the throne in 1980
State legislatures	The 12 directly elected provincial states are responsible for electing the First Chamber of the Staten Generaal (the Senate) and overseeing regional government. They also have the power to raise regional taxes. The governing executive of each state is elected, but is presided over by a commissioner appointed by the Crown
National government	Council of Ministers headed by the prime minister, responsible to the Staten Generaal. A minority coalition of the People's Party for Freedom and Democracy (Liberals, VVD) and the Christian Democratic Appeal (CDA) took office in October 2010. Although ministers can introduce bills and speak in the legislature, they may not be members of either house
Main political parties	People's Party for Freedom and Democracy (Liberals, VVD); Labour Party (PvdA); Party for Freedom (PVV); Christian Democratic Appeal (CDA); Socialist Party (SP); GreenLeft (GL); Democrats 66 (D66); Christian Union (CU); Reformed Political Party (SGP); Party for the Animals (PvdD)

Council of Ministers	**Prime minister**	Mark Rutte (VVD)
	Deputy prime minister & minister for economic affairs, agriculture & innovation	Maxime Verhagen (CDA)
Key ministers	**Defence**	Hans Hillen (CDA)
	Education, culture & sport	Marja van Bijsterveldt-Vliegenthart (CDA)
	Finance	Jan Kees de Jager (CDA)
	Foreign affairs	Uri Rosenthal (VVD)
	Health, welfare & sport	Edith Schippers (VVD)
	Home affairs & kingdom relations	Liesbeth Spies (CDA)
	Immigration & asylum	Gerd Leers (CDA)
	Infrastructure & environment	Melanie Schultz van Haegen-Maas Geesteranus (VVD)
	Justice & security	Ivo Opstelten (VVD)
	Social affairs & employment	Henk Kamp (VVD)
Central bank governor	Klaas Knot	

