Atradius Country Report

The Netherlands – November 2013

Overview

General information

Capital: Amsterdam
Government type: Constitutional monarchy
Currency: Euro (EUR)
Population: 16.8 million

Most important sectors (2012, % of GDP)

Services: 73 %
Industry: 24 %
Agriculture: 3 %

Main import sources (2012, % of total)

Germany: 16.0 %
China: 8.2 %
UK: 7.1 %
USA: 6.8 %
Russia: 5.2 %

Main export markets (2012, % of total)

Germany: 24.3 %
Belgium: 11.8 %
France: 8.5 %
UK: 8.1 %
USA: 4.6 %

Key indicators

	2010	2011	2012	2013*	2014*
Real GDP growth (y-on-y, % change)	1.5	1.0	-1.3	-1.1	0.7
Consumer price inflation (y-on-y, % change)	1.3	2.3	2.5	2.6	1.9
Real private consumption (y-on-y, % change)	0.3	-1.0	-1.6	-1.9	0.2
Retail sales (y-on-y, % change)	-1.3	-1.6	-3.5	-3.8	-1.6
Industrial production (y-on-y, % change)	7.6	-0.6	-0.4	0.4	1.0
Real fixed investment	5.5	6.1	6.4	8.4	8.0
Real fixed investment (y-on-y, % change)	-7.4	6.1	-4.0	-8.4	1.1
Export of goods and non-factor services (y-on-y, % change)	11.6	4.1	3.2	1.5	3.4
Real net exports (EUR billion)	50.3	51.9	53.1	64.3	65.3
Fiscal balance (% of GDP)	-6.7	-6.5	-4.9	-4.9	-3.9
Government debt (% of GDP)	63.1	65.5	71.2	74.5	77.1

* forecast Source: IHS Global Insight

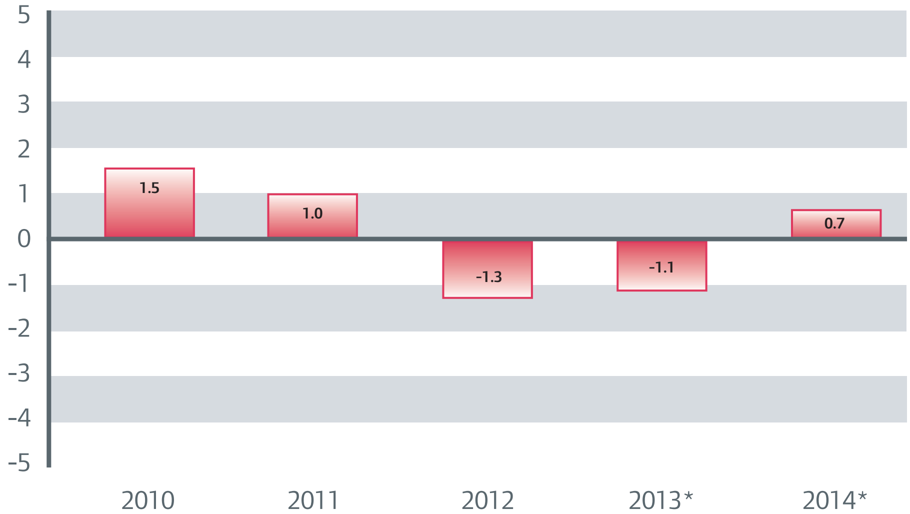
Main economic developments

A weak rebound in 2014 after this year's contraction

According to Statistics Netherlands (CBS), the Dutch economy shrank 1.7 % year-on-year in Q2 of 2013 after a 1.8 % contraction in Q1. Overall, IHS Global Insight expects the Dutch economy to shrink 1.1 % this year, as poor private and public consumption and investments detract from GDP. In 2014 a modest rebound of 0.7 % is expected as government spending and investments both increase and export growth improves. However, private consumption will remain subdued.

GDP growth

(% change on previous year)



*forecast

Additional austerity measures

On 17 September the Dutch government officially announced another austerity package of cost and wage cuts worth EUR 6 billion to trim the budget deficit. This comes on top of a four-year EUR 16 billion package that the Liberal/Labour party coalition approved in November last year. The planned government measures are, however, unlikely to reduce the government budget deficit below 3 % of GDP.

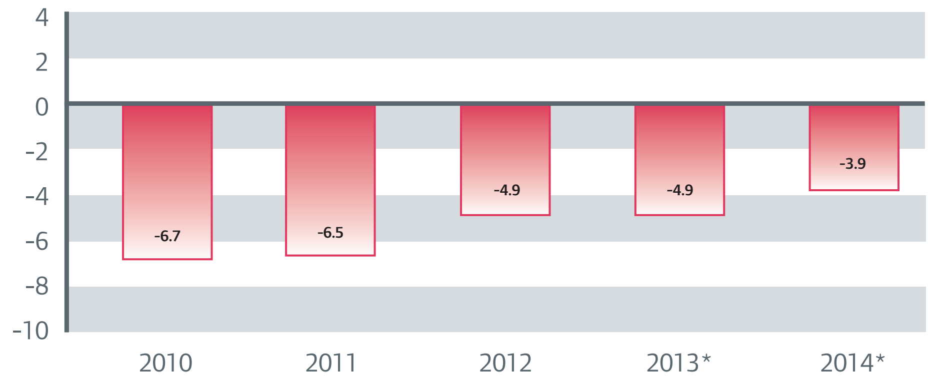
Measures already in place include a VAT increase, a freeze in civil service pay, higher healthcare contributions, cuts in tax benefits for commuter travel and a rise in the pension age to 67. Next year's cuts will probably take the form of further tax increases and benefit reductions, again reducing household purchasing power.

In October the government finally reached an agreement with opposition parties on the measures of the new package, which includes additional tax increases and spending cuts (the ruling coalition lacks a majority in the upper house and therefore needs the support of opposition parties to pass the necessary laws).

The European Commission has agreed to the EUR 6 billion package, so further measures are unlikely. Instead the Netherlands will be granted an additional year to meet the deficit goal of 3 % of GDP. Government debt will increase to more than 75 % of GDP in 2014.

General government fiscal balance

(% of GDP)



*forecast

Source: IHS Global Insight

Private consumption continues to decrease in 2013

Subdued consumer spending is one of the main reasons for the poor economic development in the Netherlands. Private consumption had already decreased year-on-year in 2011 and 2012 and is expected to fall further this year.

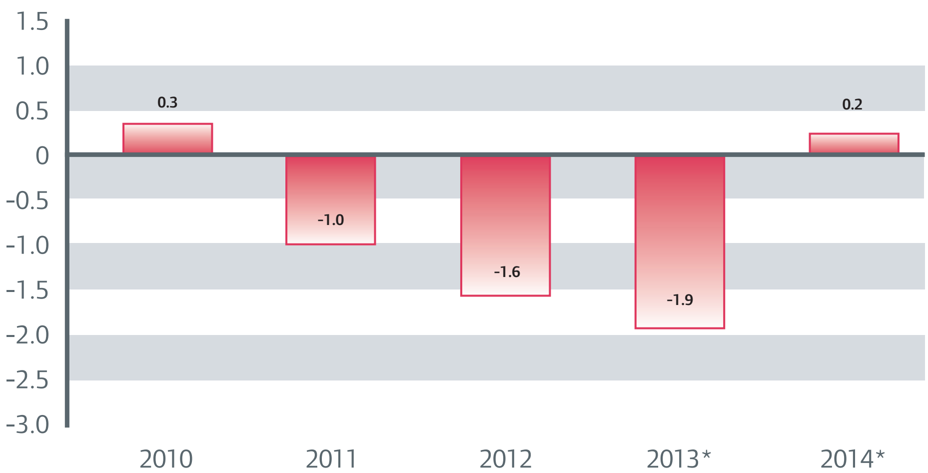
Consumer confidence is at a low ebb, as expectations for the economy over the next 12 months remain pessimistic, with little appetite for spending - especially on durable goods - and disposable household incomes continuing to fall. Besides the measures to trim the budget deficit, the persistent slump in the Dutch property market (with capital losses in privately-owned housing) and rising unemployment are also weighing on consumer confidence.

House prices (excluding new construction) fell 8.5 % year-on-year in Q2 of 2013. Unemployment increased to 8.6 % in August, from 6.5 % the same time last year. Despite expectations of lower unemployment in 2014, at 8 % the jobless rate will remain higher than in previous years (see chart on page 2) and this does not bode well for a comprehensive recovery in private consumption.

All these factors cast a shadow on the expectation of a modest rebound in household consumption next year (see chart below).

Private consumption

(% change on previous year)



*forecast

Source: IHS Global Insight

Consumer prices increased from 2.6 % in April 2013 to 3.1 % in July, but the increase slowed to 2.8 % in August and 2.4 % in September. After 2.6 % this year, IHS Global Insight forecasts that consumer price inflation will increase only 1.9 % next year. However, wage growth is not expected to fully compensate for the increase in consumer prices.

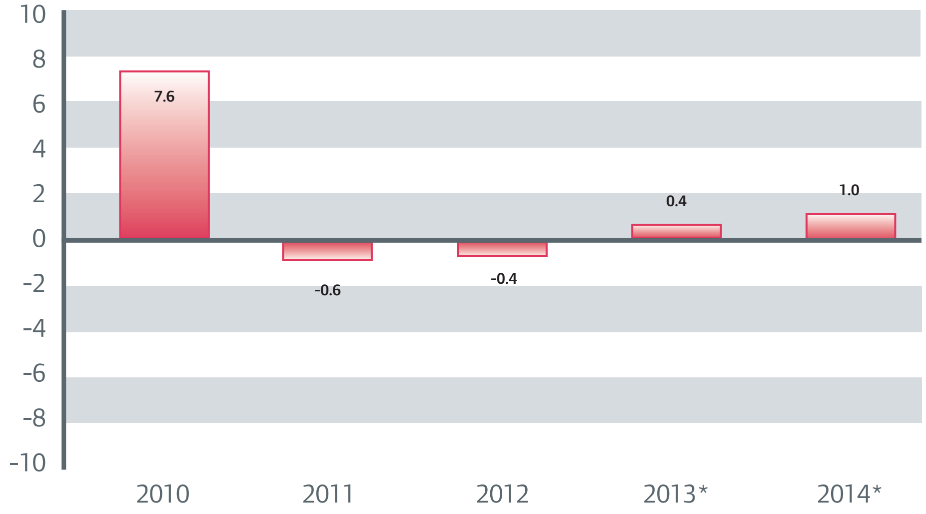
Export performance to improve in 2014

A strong recovery in industrial production in 2010 (up 7.6 %) was followed by slight contractions in 2011 and 2012. Modest growth is expected in 2013 and 2014 (see chart below). According to CBS, producer confidence in the manufacturing sector has improved since July 2013 but is still low.

Export growth will accelerate to 3.4 % in 2014 after 1.5 % in 2013, as demand from the Eurozone increases.

Industrial production

(% change on previous year)



*forecast

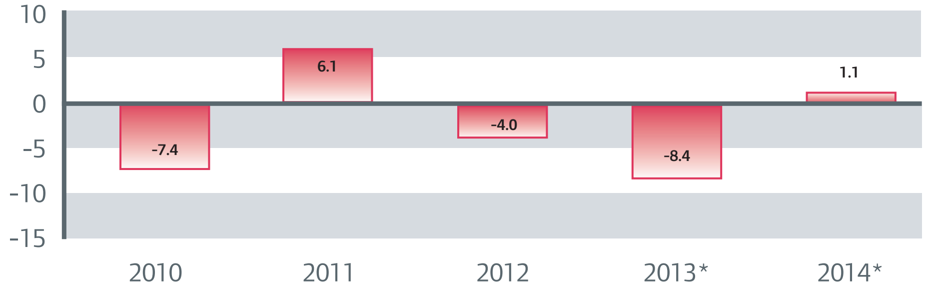
Source: IHS Global Insight

Investments to pick up

Real fixed investment is expected to decline again in 2013, by 8.4 %, followed by a modest 1.1 % rebound in 2014 (see chart below). Business investments will increase on expectations of an improvement in both the domestic and international economy.

Real fixed investment

(% change on previous year)



*forecast

Source: IHS Global Insight

Tight credit conditions for SMEs

Credit conditions remain strict for small and medium enterprises (SMEs), according to the latest survey by the Dutch Central Bank. In Q1 of 2013 more than 50 % of banks had tightened their lending standards and they are expecting to continue to do so in the short term. This tightening has a direct impact on the ability of companies to start up, continue to operate or expand, and thus hampers job creation. We have noted that banks and other financiers have become much more wary of supporting businesses that face liquidity problems and this simply adds to the current rise in insolvencies.

The insolvency environment

Corporate insolvencies expected to increase further in 2013

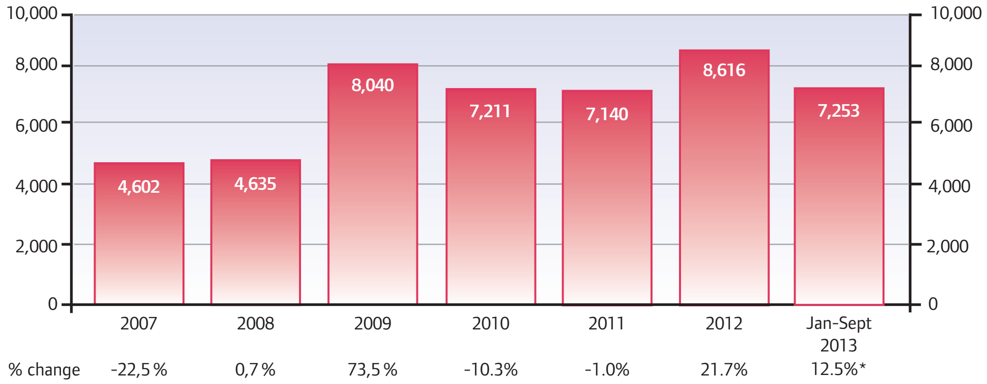
According to CBS, during the 2009 recession the number of Dutch corporate insolvencies increased 73.5 %. The economic recovery that followed manifested itself in fewer business failures in 2010 and 2011 but insolvency figures were still much higher than their pre-crisis levels (see chart below).

The economic slowdown since 2012 has triggered another rise in insolvencies: by 21.7 %, to around 8,600 cases (see chart below). According to CBS, from January to September business insolvencies rose again: by 12.5 % year-on-year to 7253 cases. Businesses in the construction sector (especially in the residential and non-residential property subsectors), metals and non-food retail sectors have been worst affected.

The level of insolvencies will continue to reflect the weak economy, with the number of bankruptcies expected to remain high for the foreseeable future. Depending on a possible return to economic growth, insolvencies may start to stabilise by the end of 2013.

Dutch business insolvencies

(year-on-year change)

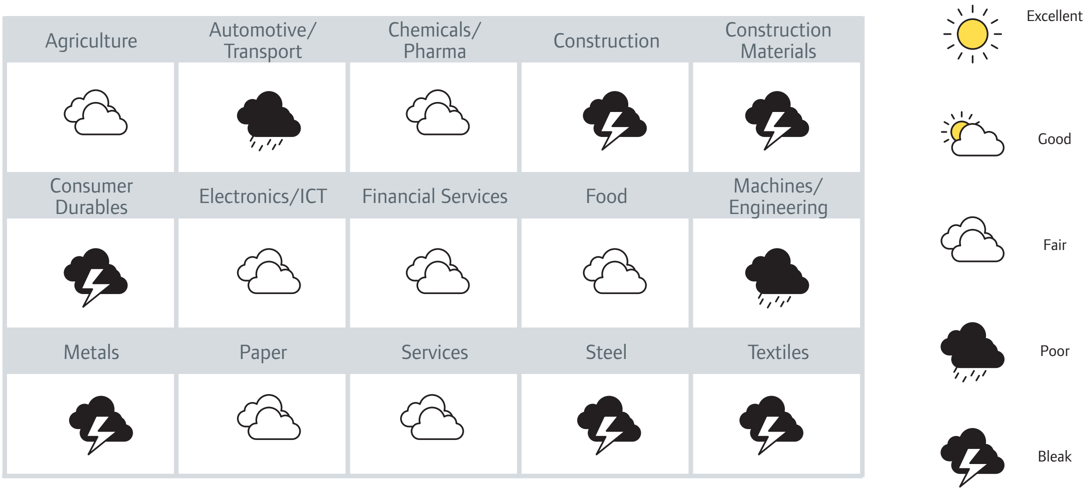


*year-on-year

Source: CBS

Dutch industries performance outlook

October 2013



In the Netherlands around 30% of all businesses that are required to file their annual accounts either delay or do not file them at all. And even if companies file their accounts in line with Dutch regulations (no later than 13 months after the balance sheet date), rapid changes in their financial situation could result in the filing being outdated. This presents our underwriters with a challenge as, with the Netherlands' current poor economic conditions, only the most recent financial information allows us to give an accurate assessment of buyer risk to our customers.

To meet this challenge, we actively contact buyers, especially in the more troubled sectors such as construction, metals and non-food retail, asking for their most recent financial information. In this respect, our customers are also helpful in seeking this information from their buyers.

Since our aim is to support our customers´ businesses throughout these difficult times, we would favour a shortening of the period for filing annual reports, as is the case in some neighbouring countries: for instance, in Belgium companies are obliged to file their accounts seven months after closing their balance sheet year. We fully support any discussions that are taking place on the subject of shortening the legal period.

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