

THE KINGDOM OF THE NETHERLANDS

JUNE 2011

CREDIT GUARANTEE COUNTRY PROFILE:

IES/02: ATTACHMENT N

<u>Country rating</u>	<u>S/T business cycle indicator</u>	<u>S/T political indicator</u>	<u>Debt recovery</u>
1A	↑	↑	Suggested use of a collection agent

Country rating key - political risks: 1=low, 2=medium, 3=high
Commercial risks: A=low, B=medium, C=high

Credit Guarantee experience

We have open cover in this market.

Recent Political Highlights

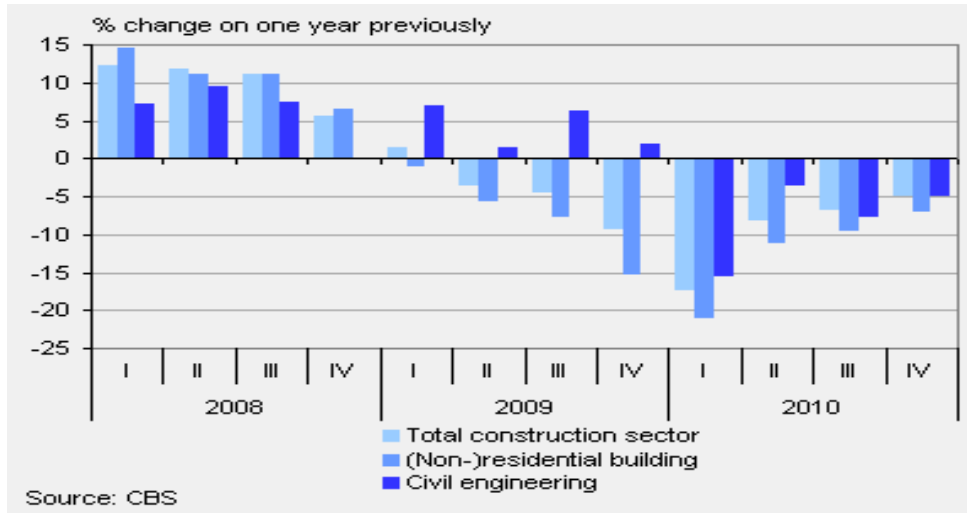
- The head of state is Queen Beatrix; the leader of the majority party or leader of a majority coalition is appointed prime minister by the monarch and the deputy prime ministers are also appointed by the monarch. Prime Minister Mark Rutte heads a minority government formed by the controversial anti-Islam party of Geert Wilders. His government - a coalition of his liberal People's Party for Freedom and Democracy (VVD) and the Christian Democratic Appeal (CDA) - was installed in October 2010, following lengthy negotiations after elections in June.

Recent Economic Highlights

- The Netherlands, with an estimated population of 16 million, has a well diversified economy with a well established services sector. The Dutch economy has been a free-market system for the last two decades with the government actively reducing its role in the economy to regulation and taxation. The country has a moderate unemployment rate and a sizeable current account surplus. The global economic downturn adversely affected economic prospects and the Dutch economy went into recession in 2009 – contracting by 4%. Dutch Gross Domestic Product (GDP) growth is projected at 1.75% this year, 1.5% in 2012 and 1.5% in 2013. The Netherlands recorded a trade surplus of \$59 billion in 2010 and has sustained strong surpluses over the past ten years. More than two-thirds of GDP comes from merchandise trade and is the world's fifth-largest natural gas exporter.
- Because of its key geographic location, the Netherlands has been able to establish itself as a trading gateway to the rest of Europe. Around 80% of Dutch exports go to other nations within the EU and 70% of goods imported into the Netherlands come from the EU. Germany is the Netherlands most significant export and import partner, receiving around 25% of the Netherlands' exports and supplying around 17% of the Netherlands' total imports. The country has been one of the leading European nations for attracting foreign direct investment and is one of the four largest investors in the US.
- According to the International Monetary Fund, long-term fiscal sustainability is one of the key policy priorities. The Netherlands faces considerable challenges with regard to demographics as the population share of 20-64 year olds is decreasing at an accelerating pace. Progress is particularly urgent in labour taxation, social benefits and employment protection to curtail work disincentives for females, disadvantaged youth and the elderly. In 2009, the Netherlands had the third highest GDP per inhabitant among EU member states, just behind Luxembourg and Ireland.
- The World Bank's Doing Business Report for 2010 ranked the Netherlands 30th out of 183 countries. The World Economic Forum's (WEF) Global Competitiveness Report for 2010/2011 ranked the Netherlands 8th out of 139 countries in terms of competitiveness. The country's companies are among the most aggressive internationally in absorbing new technologies (ranked 3rd for their technological readiness). Business activity is supported by an excellent education system. Access to financing is seen as the most problematic factor for doing business.
- The services sector has made a steady contribution to GDP while agriculture and industries have declined in their percentage contribution to GDP. Nearly 80% of the Dutch workforce is employed in the services sector, namely; transportation, financial services (including banking and insurance), business services and goods distribution. Despite the current decline, industry is a major component of the economy, with energy companies gaining high profits due to the increase in global energy prices.
- The agricultural industry is highly mechanised - although the sector employs a very low percentage of the work force - it produces large surpluses for export and ranks the third highest worldwide in terms of agricultural exports.
- Manufacturing industries are less dominant compared to other European countries. Within the manufacturing industries, automotive is one of the main industries. Geographically the automotive industry is concentrated in the south-eastern part of the Netherlands (over 50% of the Dutch automotive employment is found here) with the remainder in the mid-eastern part. For these regions, automotive is an important industry for employment and innovation.

- Residential and non-residential building companies are the largest players in the construction sector. Turnover generated by these companies shrank by 12% in 2010. Investments dropped dramatically particularly in the first quarter of 2010 when a turnover loss of 21% was recorded.

Turnover construction sector



- Despite a slow-paced worldwide economic recovery in 2010, the Netherlands recorded comparable foreign direct investment (FDI) results to the previous year's activity. The Netherlands Foreign Investment Agency (NFIA) supported the attraction of 155 foreign investment projects (same as 2009), representing planned investment of \$1.3 billion. Nearly 40% of worldwide projects are related to marketing and sales activities. One notable trend was that the number of international headquarters for projects now based in the country almost doubling to 17%.
- According to Mr Joop Scheffers, the Netherlands Ambassador to Vietnam, both sides have been looking for areas of strong mutual interest. The Netherlands is already the single largest EU investor in Vietnam. The fact that business between the Netherlands and Vietnam is ever growing is shown by the more than 20 agreements signed during the official visit by the Royal Prince of Orange, accompanied by the Dutch Minister for Agriculture and Foreign Trade Henk Bleker. The business delegation of over 80 Dutch companies is a new seal for Vietnam-Netherlands cooperation.
- The Cabinet wants to make the Dutch economy one of the world's top five economies and has therefore opted to focus on top sectors, especially high tech systems & materials, chemistry and agro food. These three sectors account for 68% of all private spending on research and development and together make up almost half of all Dutch exports.

Latest Trade Developments

- Major exports: machinery and equipment, chemicals, fuels and foodstuffs
- Major imports: machinery and transport equipment, chemicals, fuels, foodstuffs and clothing
- Main trading partners: Germany, Belgium, France, UK, Italy, US, Russia and China
- SA exports to the Netherlands totaled R26.9bn in 2008, R18.5bn in 2009 and R17bn in 2010.
- SA imports from the Netherlands totaled R10bn in 2008, R9.8bn in 2009 and R10bn in 2010.

Researched and compiled by Hlohohelo Pule, economic services – Credit Guarantee Insurance