

COUNTRY PROFILE:**THE KINGDOM OF THE NETHERLANDS****DATED:****MAY 2009****CREDIT GUARANTEE:**

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Recent Political Highlights

- ❑ The Netherlands is a constitutionally monarchy with a two-tier parliament. The head of state is Queen Beatrix. The queen appointed Jan Peter Balkenende as the head of the three-party centrist coalition in February 2007. The governing coalition composed of the Christian Democratic Appeal (CDA), the Labour Party and the small Christian Union, is forecast to remain in power until the next general election due in May 2011.

Recent Economic Highlights

- ❑ With a prosperous and open economy that depends heavily on foreign trade, the Netherlands is one of the top European countries to attract foreign investment. Services account for about 72% of total GDP, primarily in transportation, distribution and logistics and in financial areas such as banking and insurance. Industrial activity, including mining, generates about 20% of the national product and is dominated by the metalworking, oil refining, chemical and food processing industries. Construction contributes about 6% of GDP while agriculture and fishing account for just 2%.
- ❑ GDP grew 1.8% in 2008 despite economic activity declining since Q2'08. According to figures published by Statistics Netherlands, the Dutch economy shrunk by 4.5% in Q1'09 y/y. Compared to the last quarter of 2008, the economy shrunk by 2.8%; the worst q/q shrinkage ever measured by Statistics Netherlands. Foreign trade dropped by 14% in volume and 22% in value in January 2009, confirming a plummeting downtrend since November 2008. Rabobank, a major Dutch Bank, has forecast a 4% shrinkage of the Dutch economy in 2009 while the Central Planning Bureau estimates the shrinkage at 3.5%. The contraction in 2009 is expected largely as a result of declining exports, which are expected to fall by 11.8%. The worsening outlook will also have immediate effects on investments with the investment ratio of the market sector projected to fall sharply to a historical low of 12.8% in 2010. A recovery is not expected until the second half of 2010.
- ❑ Netherlands has traditionally had one of lowest rates of unemployment in Europe averaging 2.9% but it's expected double to 6% at the end of this year and 9% in 2010. 27% of those employed in the transport and communication sector are worried the most about becoming jobless. There are about 7.5 million people in the workforce.
- ❑ The stern financial policy has been abandoned for 2009 on account of the current credit crises. The relatively large banking sector was nationalised and bailed out through government interventions. The government wants to stimulate the economy by accelerating already planned projects and plans to spend €6bn in two years on measures to boost the economy. The steep economic downturn is expected to lead to a rapid decrease in tax revenues and a rise in social benefits, which will in turn drive up the Dutch government deficit substantially. The government also plans to give rebates to people who turn in their old vehicles and buy a cleaner new one. The government intends to raise the retirement age from 65 to 67. The national budget deficit is expected to rise to 5.7% in 2011. The government posted surpluses of 0.3% in 2007 and 0.9% of GDP in 2008.
- ❑ In March 2009, over 670 businesses and institutions (excluding sole proprietors) were declared bankrupt in Netherlands, an increase by 130 relative to February and compared to 410 bankruptcies recorded in March 2008.
- ❑ In March the average daily output of Dutch manufacturing was 12% down compared to the previous year and across all sectors. Meanwhile manufacturing turnover was down 20% y/y. Turnover on the export market decreased by 23% and 15% on the domestic market. With a 34% decline the petroleum, chemical, rubber and plastics sector suffered the most. Manufacturers of basic metal products and transport equipment also faced losses above average.
- ❑ The Dutch economy has been widely affected by the financial crisis, with two out of three Dutch companies having taken measures to cope with the crisis. Over 20% had to layoff temporary staff, while 25% took cost-cutting measures. Another 20% said they have problems insuring the risk for their customers.
- ❑ Consumer confidence increased from -34 in March to -28 in April. Opinions of the future economic climate improved substantially. Despite this, consumer's unwillingness to buy remained unchanged.

Latest Trade Developments

- ❑ The Netherlands derives more than two-thirds of GDP from merchandise trade. In 2008, with merchandise trade exports at \$532.2bn and imports at \$475.9bn, the Netherlands recorded a trade surplus of \$57.3bn and a current account surplus of \$65.7bn (7.5% of GDP).
- ❑ Major exports and imports: machinery and transport equipment, chemicals, mineral fuels and lubricants, food and live animals and manufactured goods.
- ❑ Main trading partners: Germany, Belgium, UK, France, US, Russia and China.
- ❑ South African exports to Netherlands totaled R20.3bn in 2007, R28.3bn in 2008 and R3.9bn in the year-to February 2009. South Africa's main exports to the Netherlands are coal, chemicals and agricultural products.