

# Focus on: Netherlands

## International Business Report 2012 – Economy focus series

### The economy

Despite its historic stability and economic strength, the Netherlands economy has been unable to escape the impact of the crisis in the eurozone. Having expanded strongly in Q1, the economy has slowly ground to a halt as business and consumer confidence wanes in the face of the economic storm which is threatening to engulf not just Europe, but the entire global economy. The budget for 2012 is aiming to return the public finances to balance and ensure financial sector stability.

The key indicators<sup>1</sup> are highlighted below:

- following quarterly growth of just 0.2% in Q2, the economy contracted by -0.3% in Q3 from the previous quarter; year-on-year the economy expanded by 1.1% in the third quarter
- exports remained positive in Q3 at just by 0.3%; this was down on the three months to June (1.0%), but represented a 4.0% from the same period 12 months previously
- consumer spending contracted by 0.2% from the previous quarter in Q3, with household spending dropping 1.1%
- capital expenditure was up by 4.6% year on year in Q3, although it contracted by 1.1% quarter on quarter.

### The business perspective

The Grant Thornton International Business Report (IBR) surveys the views of more than 11,500 businesses in 40 economies around the world. This report focuses on the experiences of privately held businesses in the Netherlands and their expectations for the next 12 months, as illustrated in figure 1.

The IBR survey tells us that businesses in the Netherlands are much less optimistic about their economy over the next 12 months, compared with 12 months previously. Business expectations for revenue and profitability have risen since last year but have not returned to 2008 levels. Bureaucracy and a lack of skilled workers are cited as the most pressing constraints on growth.



<sup>1</sup> Source: International Monetary Fund, The Economist and Experian.

## The outlook

The outlook for the Netherlands economy is inextricably linked to that of the eurozone. Growth of 1.4% is forecast for 2011, but following contraction in Q3 the economy is likely to slide back into recession due to declining consumer sentiment, fiscal tightening and weakening export demand. A contraction of 0.6% in 2012 is forecast to be followed by a period of moderate growth, averaging 1.5% per annum in the period 2013-16. A complete meltdown in the eurozone represents a serious downside risk to this forecast.

Exports have held up to date, but look likely to decline over the next year as demand from Europe and the US slumps. The manufacturing and agricultural industries in particular are likely to suffer from diminishing exports. The current account is expected to remain in surplus up until at least 2016, although this is likely to narrow from an estimated peak of 8.4% of GDP in 2011.

Government policy over the next five years is likely to remain focused on deficit reduction, with reform of the social security system and downsizing the size of the civil service and military high on the agenda. The official retirement age has also been raised to 67 but this will not come into effect until 2025.

Figure 1: Key indicators for PHBs

Netherlands compared to the EU average	2009	2010	2011	2011
	Neth	Neth	Neth	EU
<b>Outlook for the economy over the next 12 months</b>				
Net optimism	-37%	+16%	-44%	-17%
<b>Change in employment levels</b>				
Net hiring expectations	-5%	+12%	+18%	+15%
<b>Constraints on expansion</b>				
Regulations/red tape	25%	23%	22%	29%
Lack of skilled workers	40%	18%	22%	22%

Source: Grant Thornton IBR 2011

Talk to us to find out how we can help you deal with the challenges your business is facing today.

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# International Business Report results

The Grant Thornton IBR 2011 reveals that global business optimism dipped again in the fourth quarter. Businesses sentiment in the Netherlands plummeted to net -44%, down from net -8% in the previous quarter. Globally, the quarter-on-quarter average declined from 3% to 0%

The sovereign debt crisis is weighing heavily on businesses confidence in Europe; business optimism across the European Union dropped to -17% in Q4. However confidence in the BRIC economies ticked upwards to 34%.

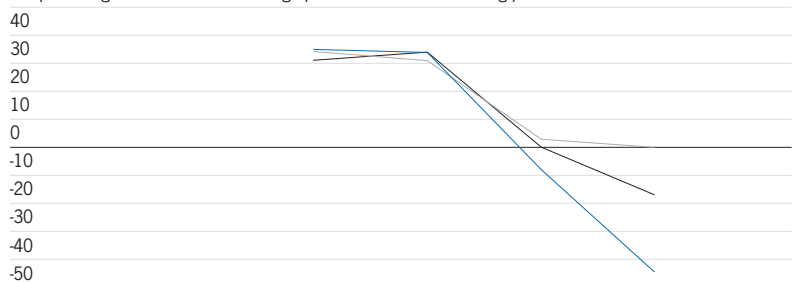
Year-on-year optimism amongst businesses has declined slightly from net 22% in 2010, to net 16% across 2011.

## Optimism/pessimism

- business optimism in the Netherlands fell further in Q4, dropping to -44%, down from -8% in Q3
- the EU<sup>3</sup> average declined from 0% in Q3 to -17% in Q4
- globally, business sentiment dropped by 3 percentage points in Q4 to stand at 0%.

**Figure 2: Outlook for the economy over the next 12 months: 2011**

Net percentage of businesses indicating optimism less those indicating pessimism



	Q1-2011	Q2-2011	Q3-2011	Q4-2010
● Netherlands	35	34	-8	-44
● EU	31	34	0	-17
● Global	34	31	3	0

Source: Grant Thornton IBR 2011



<sup>2</sup> the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

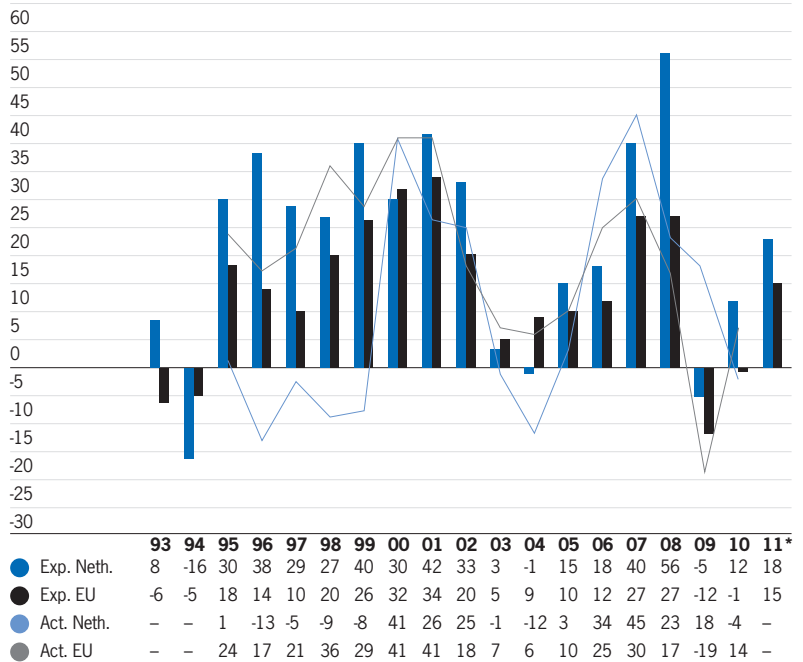
<sup>3</sup> for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

## Employment

- net 18% of businesses in the Netherlands expect to increase staff levels over the next 12 months, compared with 15% of businesses across the EU
- actual employment growth reported by businesses in the Netherlands for 2010 (-4%) was much lower than expected 12 months previously (12%).

**Figure 3: Employment history: 1993-2011**

Percentage balance of businesses indicating an increase against those indicating a decrease



\*2011 data will be documented in IBR 2012

Please note that the expected values are represented by the bars and the actual values by the lines

Source: Grant Thornton IBR 2011

## Revenue expectations

- expectations for increasing revenues rose on average across the past four quarters to stand at 45%
- the EU business average also rose to 40%, up from 28%
- globally, expectations have risen from 40% in 2010 to 50% in 2011
- however, revenue expectations in the Netherlands dropped from 50% in Q3 to just 20% in Q4.

**Figure 4: Revenue expectations: 1993-2011**

Percentage balance of businesses indicating an increase against those indicating a decrease

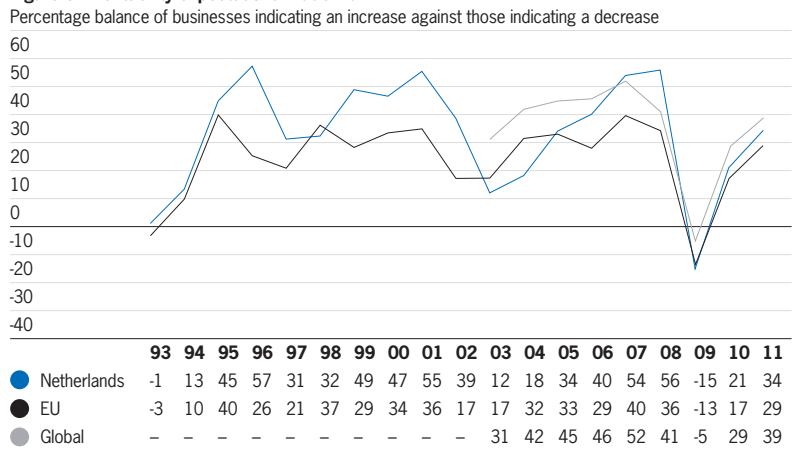


Source: Grant Thornton IBR 2011

### Profitability expectations

- across the past four quarters an average of net 34% of businesses in the Netherlands expect profits to rise compared with 21% in 2010
- however, the quarterly data shows profitability expectations in the Netherlands dropping to just 6% in Q4
- the EU business average for the past four quarters has risen by 12 percentage points while the global average rose by 10 percentage points.

**Figure 5: Profitability expectations: 1993-2011**



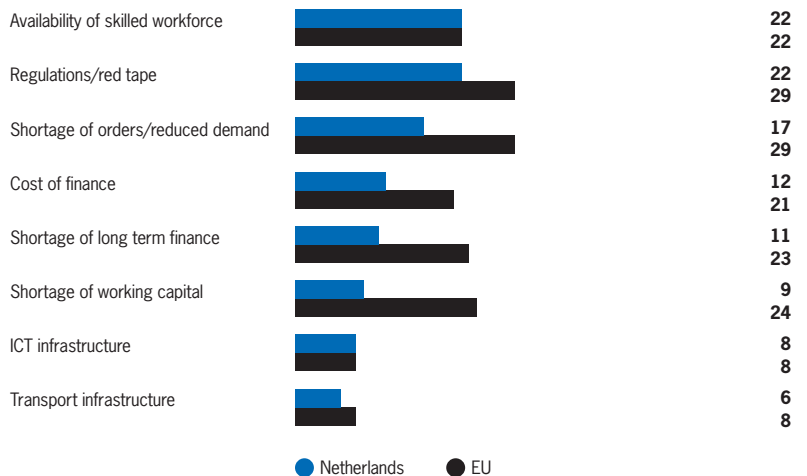
Source: Grant Thornton IBR 2011

### Constraints

- a lack of skilled workers is more of a concern this year with 22% of businesses in the Netherlands citing it this year, up from 18% in 2010
- regulations and red tape remain a key concern for businesses in the Netherlands; 22% raised it as a problem over the past four quarters, although this remains below the EU average (29%).

**Figure 6: Constraints on expansion**

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



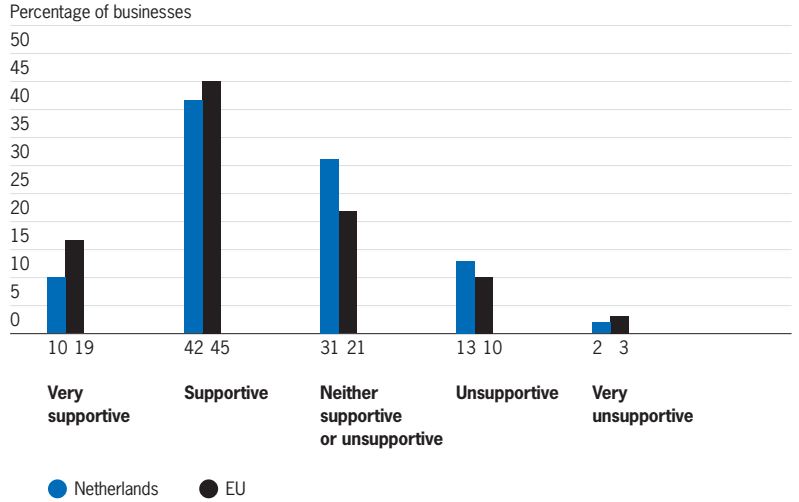
Source: Grant Thornton IBR 2011



### Support of lender

- just over half of businesses in the Netherlands are happy with the level of support provided by lenders; 52% class lenders as supportive or very supportive towards their business
- this compares with 64% of businesses in the EU as a whole
- 15% believe that lenders are unsupportive or very unsupportive of their business.

**Figure 7: Level of support provided by lenders**



Source: Grant Thornton IBR 2011

### Government policy

- two thirds of businesses in the Netherlands are neither using nor planning to use the “Labour cost arrangement” as of 1 January 2012
- a further 60% are not familiar with the (big) fiscal advantages of the ‘succession (fiscal) facility’.

**Figure 8: Are you going to use the “labour cost arrangement” as of 1 January 2012 or are you already doing this?**



Source: Grant Thornton IBR 2011



The Grant Thornton International Business Report (IBR) is a quarterly survey of around 2,800 senior executives in privately-held and listed businesses all over the world. Launched in 1992 in nine European countries the report now surveys more than 11,500 businesses leaders in 40 economies on an annual basis providing insights on the economic and commercial issues affecting companies globally.

In the Netherlands, 200 businesses were surveyed across all industry sectors. These businesses ranged from small to medium in size with total employment of between 50 and 499. Data for this report were drawn from interviews conducted between January and December 2011.

To find out more about IBR and to obtain copies of reports and summaries visit: [www.internationalbusinessreport.com](http://www.internationalbusinessreport.com). The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

#### Participating economies

Argentina	Malaysia
Armenia	Mexico
Australia	Netherlands
Belgium	New Zealand
Botswana	Peru
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Georgia	Switzerland
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Arab Emirates
Ireland	United Kingdom
Italy	United States
Japan	Vietnam



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