

# The Netherlands

## International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance<sup>1</sup> of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in the Netherlands are less optimistic about 2008 (+70 per cent) than they were about 2007 (+86 per cent).

Levels of optimism have fallen amongst European Union (EU)<sup>2</sup> businesses. This year a balance of +34 per cent of EU businesses are positive about their country's economy compared to a balance of +46 per cent in 2007. However, levels of optimism vary extensively throughout the EU countries with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are most pessimistic about their economy over the next year (-5 per cent).

### The Dutch economy

In contrast to other eurozone economies, the Netherlands ended last year on a high note. Strong growth in the final quarter lifted the full-year figure to 3.5 per cent, the best outturn since 2000. However, this buoyancy is unlikely to be sustained. There have been sharp declines in consumer confidence over recent months, with financial turmoil and next year's tax rises dampening sentiment. Retail sales have also levelled out, albeit at a healthy annual rate of 2.5-3 per cent.

Business indicators have been resilient, though confidence surveys show signs of weakness in the latest figures. Industrial production remains up on a year ago, but the rate is well down from the spring 2007 peaks. Price trends have been more encouraging; energy and food prices have pushed Dutch inflation rates up from their summer lows to around two per cent year-on-year at the start of 2008. But the gap with the eurozone average has widened, with inflation rising even faster elsewhere in the monetary union.



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<sup>1</sup> the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

<sup>2</sup> for the purposes of IBR, the term 'EU' refers to those EU economies covered by our survey – Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

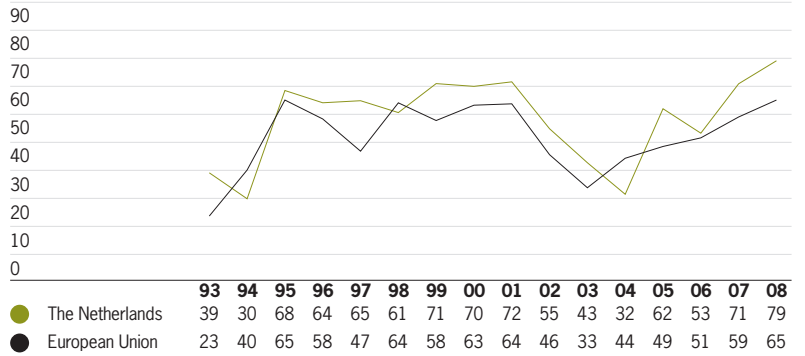
### Business expectations/revenue

- PHBs in the Netherlands are more optimistic about their revenue prospects in 2008 (+79 per cent) compared to 2007 (+71 per cent).
- Their levels of optimism regarding revenue performance are above the EU (+65 per cent) and global averages (+63 per cent).
- Levels of optimism regarding selling prices in 2008 (+58 per cent) are well above the EU average (+39 per cent) and the global average (+30 per cent).

### Employment

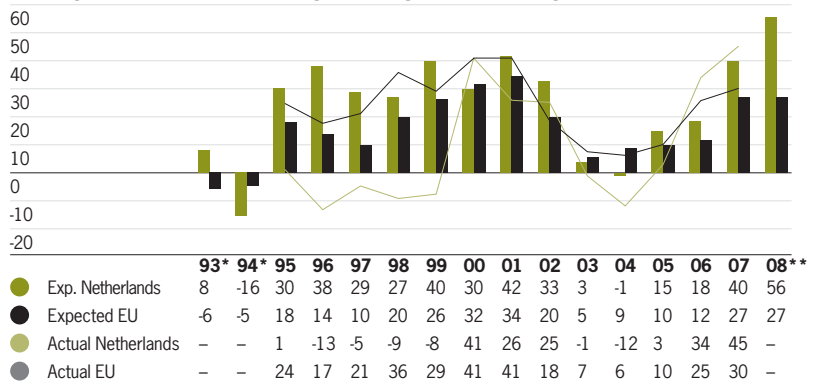
- Expected employment growth in the Netherlands has fallen from +40 per cent in 2007 to +56 per cent in 2008.
- Businesses in the EU as a whole (+27 per cent) remain less optimistic with regard to employment growth in 2008 than Dutch businesses.
- Actual reported employment growth (+45 per cent) in the Netherlands was higher than expected in 2007.

**Figure 1: Revenue expectations for the Netherlands and the European Union average 1993-2008**  
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2008

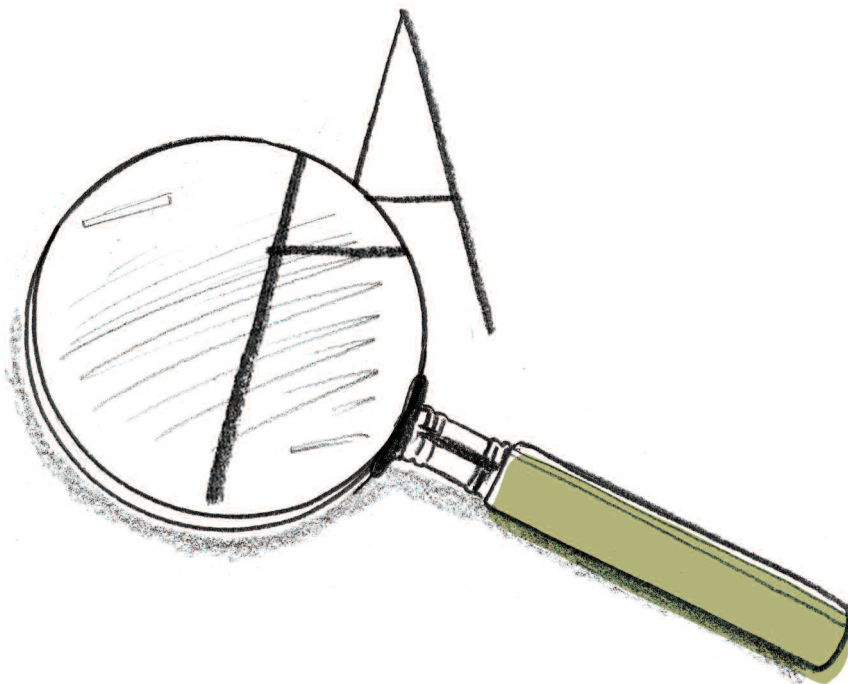
**Figure 2: Employment history of the Netherlands and the European Union average 1993-2008**  
Percentage balance of businesses indicating optimism against those indicating pessimism



\*no data available

\*\*2008 data will be documented in IBR 2009

Source: Grant Thornton IBR 2008



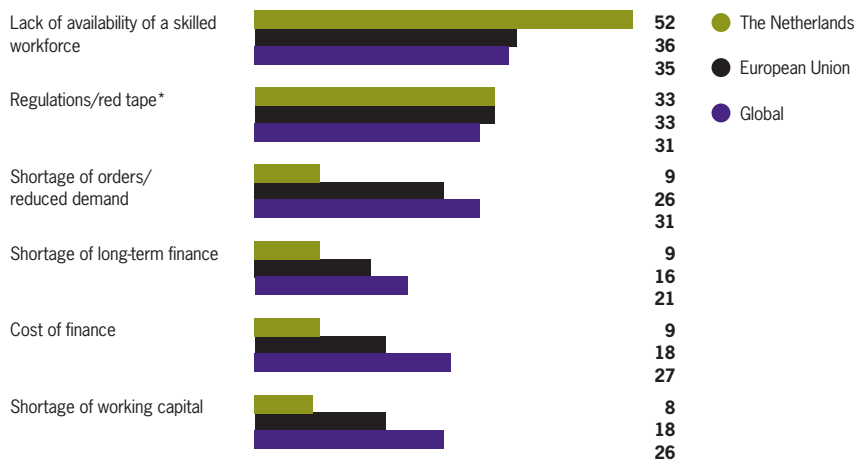
### Constraints

- The availability of a skilled workforce is the constraint restricting expansion cited most by businesses in the Netherlands (52 per cent).
- Lower proportions of Dutch businesses cite the shortage of orders/reduced demand, cost of finance, shortage of long term finance and shortage of working capital than either the EU or global averages.
- Similarly to EU businesses in general, 33 per cent of Dutch businesses cite regulations/red tape as a constraint.

### Emerging markets

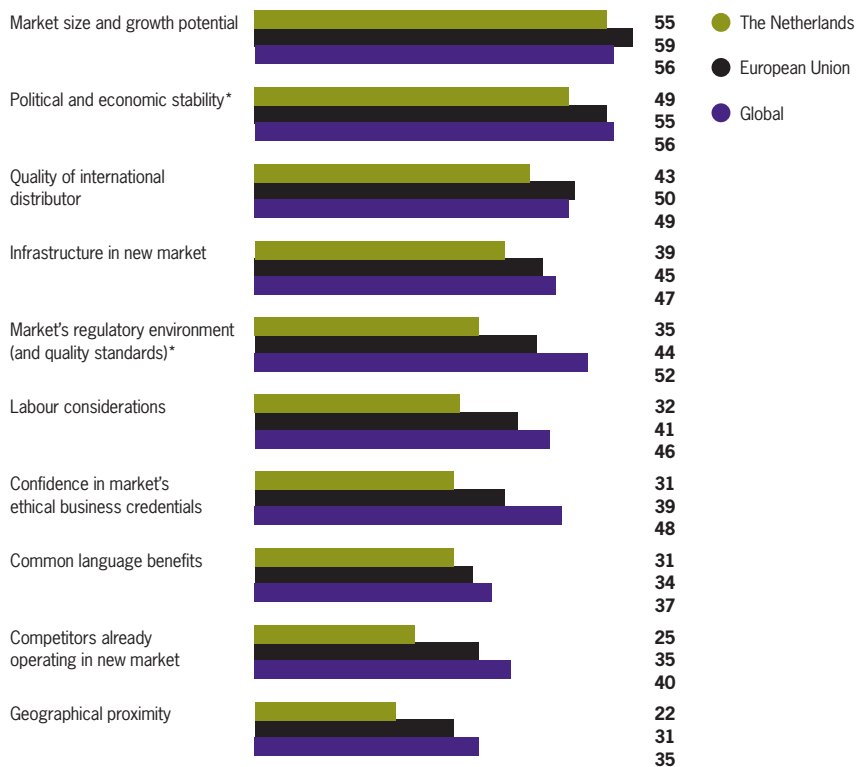
- The most important factor for PHBs in the Netherlands, when determining whether to invest internationally, as is the case for businesses globally, is market size and growth potential (55 per cent).
- The proportion of Dutch businesses which export (42 per cent), is slightly higher than the global average (39 per cent).
- 46 per cent of PHBs in the Netherlands import, which is above the global average (39 per cent).
- Similarly to EU businesses in general, 34 per cent of Dutch businesses see their main competition coming internationally.

**Figure 3: Largest constraints on growth for Dutch businesses compared to the European Union and the global average**  
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



\*excluding mainland China  
Source: Grant Thornton IBR 2008

**Figure 4: Importance of factors determining foreign investment**  
Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



\*excluding mainland China  
Source: Grant Thornton IBR 2008

## Competitiveness

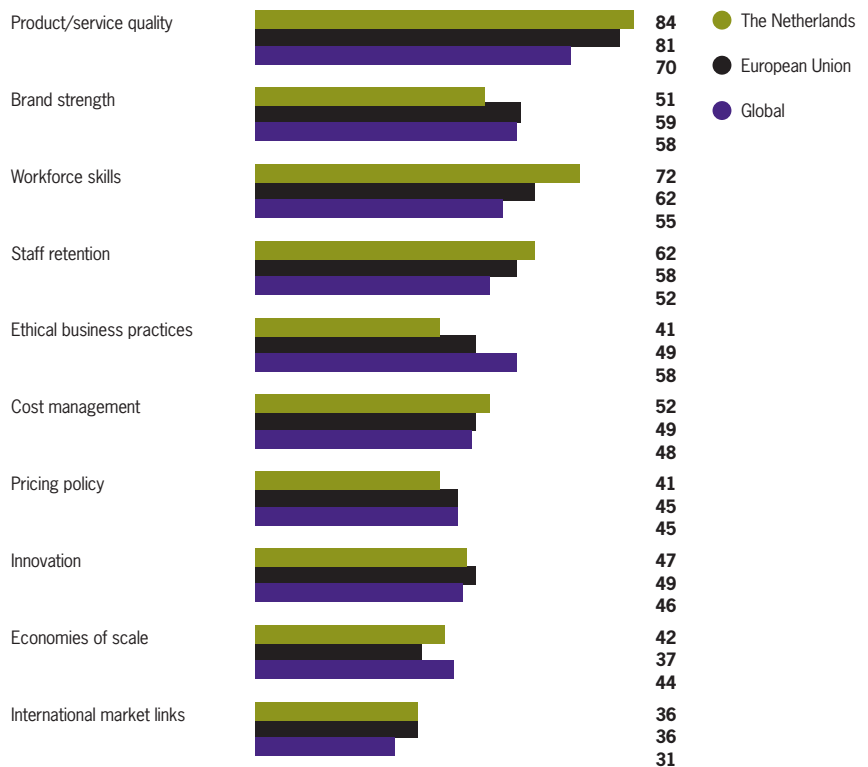
- PHBs in the Netherlands see their greatest source of competitive advantage as product/service quality (84 per cent), as is true of businesses globally.
- 72 per cent of Dutch businesses see workforce skills as a source of competitive advantage. This is above the EU businesses average (62 per cent).
- Ethical business practices are cited by 58 per cent of businesses globally compared to 41 per cent of PHBs in the Netherlands.

## Corporate social responsibility (CSR)

- Cost management is viewed as the biggest driver towards more ethical practices by PHBs in the Netherlands and businesses globally (63 per cent).
- 87 per cent of PHBs in the Netherlands provided internships/apprenticeships/work experience in the past year, compared to 67 per cent of all businesses.
- 56 per cent of Dutch businesses have incorporated their policies into a written CSR document, which is above the EU average of 45 per cent.

**Figure 5: Main sources of competitive advantage for Dutch businesses compared to the European Union and the global average**

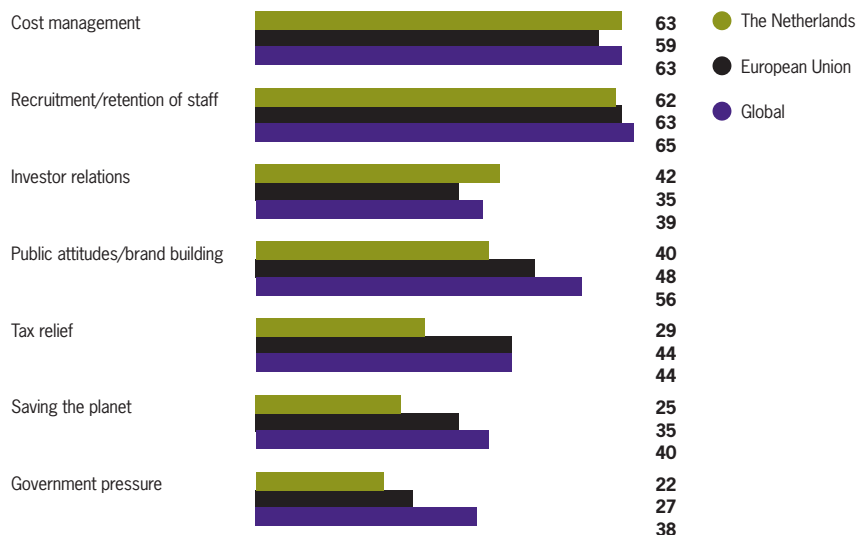
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

**Figure 6: Importance of drivers to more ethical practices for Dutch businesses compared to the European Union and the global average**

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



\*excluding mainland China

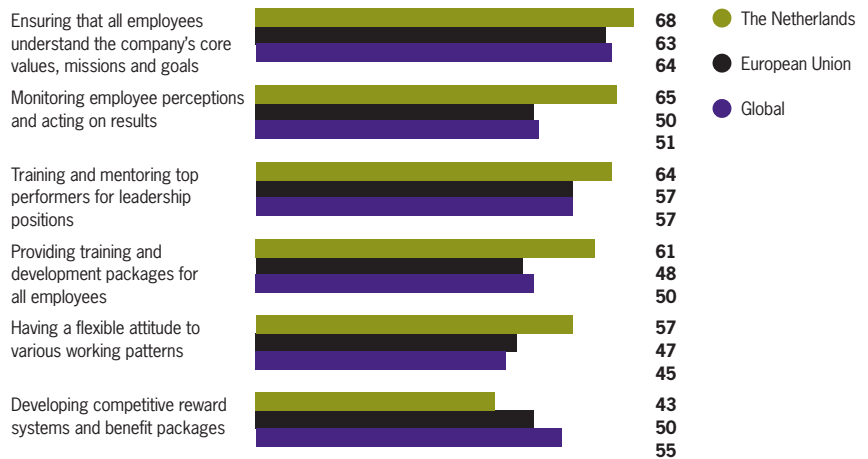
Source: Grant Thornton IBR 2008

## Recruitment and retention

- The balance of PHBs in the Netherlands more focused on retention than one year ago is +62 per cent. This is above the EU average (+52 per cent) and the global average (+59 per cent), and is up from +36 per cent in 2005.
- Similarly to PHBs in the EU as a whole, 68 per cent of businesses in the Netherlands ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention.
- Cited by 45 per cent of PHBs in the Netherlands, an increased workload for remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 60 per cent of PHBs in the Netherlands significantly more to pay their staff than it was 12 months ago, just above both the EU average (58 per cent).

**Figure 7: Usage of recruitment and retention tools for Dutch businesses compared to the European Union and the global average**

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

# Outlook for the Dutch economy

Although indicators have held up reasonably well, real GDP growth is expected to slow throughout 2008. Activity remains above the eurozone average at 2.1 per cent per annum in 2008-09, though the gap narrows relative to the recent past.

Domestic demand continued to drive the economy in 2007, led by buoyant business investment. Although the Netherlands is less exposed to the financial crisis than other European Union economies, tighter borrowing conditions and global instability are expected to dampen corporate spending this year. Consumer demand is more resilient, but also may slow in 2008-09. Tighter monetary conditions and tax increases partly explain the slowdown in spending, with these factors being reinforced by less buoyant labour market conditions.

Net trade has been important to the recent upturn, though last year the contribution was only marginal. As external demand slows, this position is expected to become less favourable, further subtracting from overall growth.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six-year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit [www.internationalbusinessreport.com](http://www.internationalbusinessreport.com).

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

**Participating economies**

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



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