

Country Insight Snapshot

Netherlands

May 2018





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2b

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.

G

Rating Outlook: Stable

CORE OUTLOOK

- + Reasonable short-term economic prospects are underpinned by high investment activity and strong payments performance.
- + The Dutch economy is very liberal in terms of its investment and trade policies.
- + Euro-zone membership means the Netherlands will continue to have access to adequate FX reserves to cover its obligations to suppliers and investors.
- As a relatively open economy, the Netherlands is heavily reliant on the economic performance of its key export markets, most notably the euro zone, but also the US and UK.

KEY DEVELOPMENT

Government documents disclose the fear that major corporations will depart for the UK, driving the decision to eliminate the withholding of tax on dividends, despite advice against this measure.

CREDIT ENVIRONMENT OUTLOOK

G

Trend: Improving

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

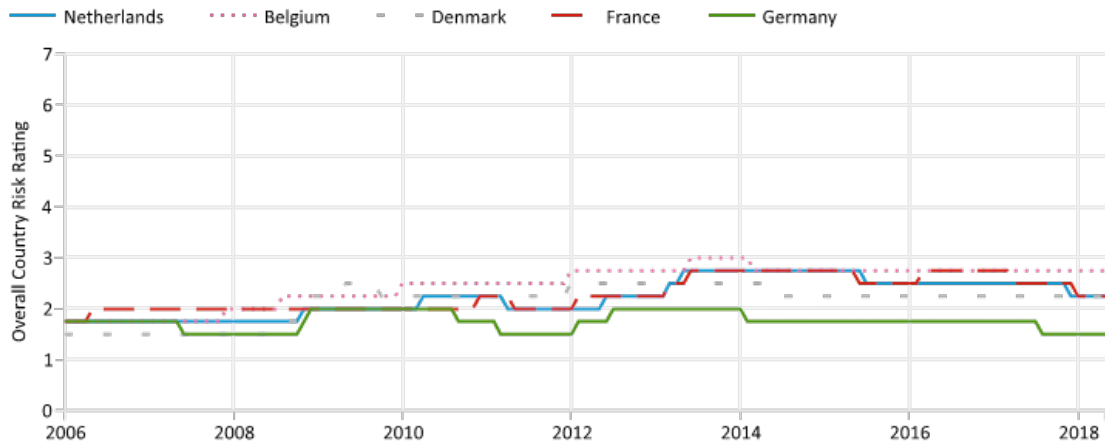
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

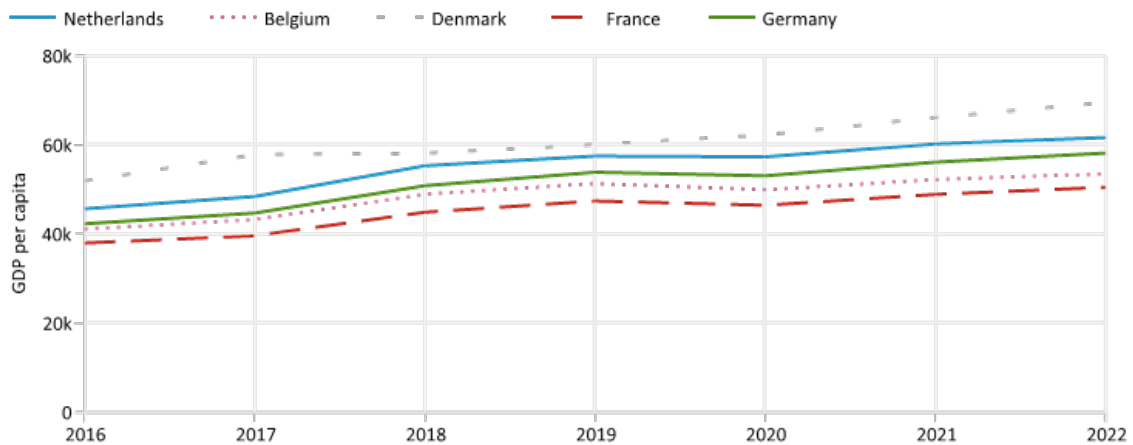
Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	8.7	8.5	7.7	7.1	7.4	7.1	6.9	7.0
Govt balance, % GDP	-2.1	0.4	0.7	0.5	-0.1	-0.2	-0.2	-1.0
Inflation, annual avge %	0.2	0.1	1.3	1.5	1.9	2.0	1.6	1.7
Real GDP Growth, %	2.3	2.1	3.1	2.6	2.3	2.2	2.0	1.8
Unemployment, %	6.9	6.0	4.9	4.8	4.9	5.1	4.9	5.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The World Economic Forum's (WEF) *Global Enabling Trade Report 2016* ranks the Netherlands second in the world at enabling trade across borders (up one place from the 2014 report, and just 0.3 points behind Singapore, which came top with a score of 6.0, where 1.0 = worst and 7.0 = best). For the four sub-indexes, the Dutch economy ranks 2nd in border administration, 3rd in infrastructure, 11th in operating environment and 42nd in market access. The impressive infrastructure ranking is due to high-quality port infrastructure (the world's best), good transport services, and strong technological infrastructure. The low market access ranking is due to the complexity of tariffs facing those trying to access the domestic market, and the number of tariffs when trying to access foreign markets. The strong score in enabling trade across borders is reflected in the value of international trade: goods exports were worth USD529.64bn in 2017, with imports worth USD463.33bn.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 0-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

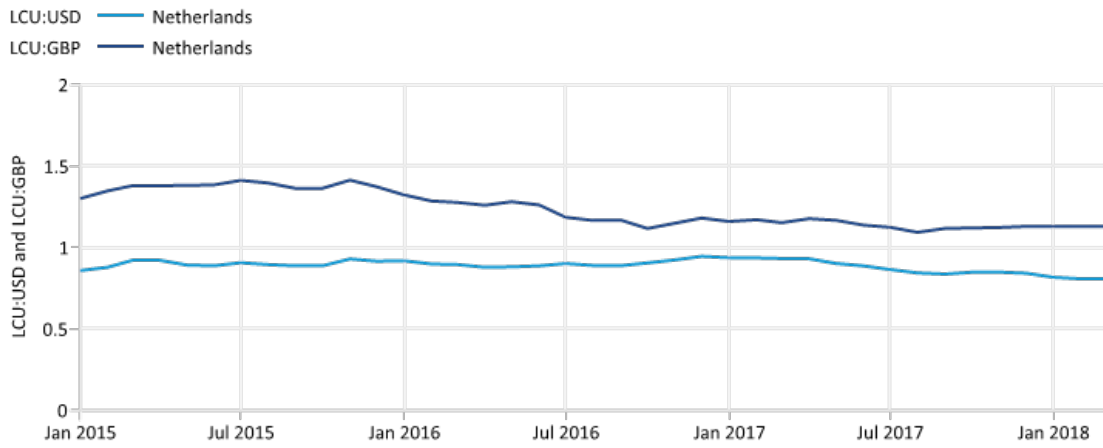
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



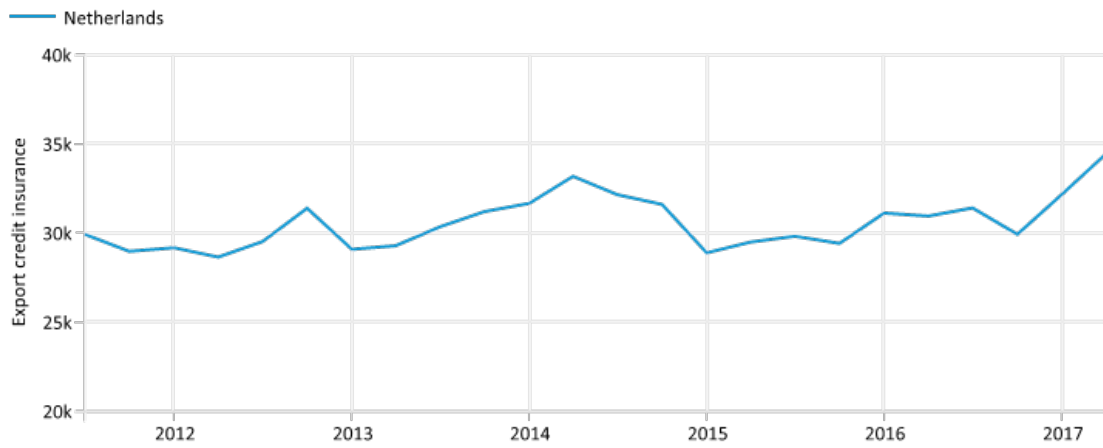
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Tax memos released

Fears that major corporations with dual structures in the UK and the Netherlands would move to the UK drove the government's decision to abolish the 15% withholding tax on dividends. The announcement in October 2017 drew heavy criticism from opposition parties which argued that the measure favoured foreign shareholders while placing an unfair burden on local taxpayers. Details of the reason for the tax abolition were publicised with the release of confidential documents by the Ministry of General Affairs on 24 April. The memos also proved that Prime Minister Mark Rutte had knowledge of advice from the Ministry of Finance against elimination of the tax, contrary to the impression previously given by Rutte. Moreover, it was disclosed that the measure was included in negotiations among the four parties - the pro-business VVD, the liberal Democrats 66 (D66), moderate Christian Democratic Appeal (CDA) and the far-right Christian Union (CU) - which subsequently formed the ruling coalition.

The ideologically discordant coalition holds a one-seat majority in the lower house with collective control of 76 seats in the 150-seat lower house. According to Prime Minister Rutte, foreign corporations account for 40% of local jobs, and the official position is that while the measure will cost EUR1.4bn in foregone revenue, it is crucial to make the Netherlands competitive for foreign investment. Despite opposition calls to reverse the decision, the change in the tax code will take effect in 2020. Unilever, which has dual headquarters in the UK and the Netherlands, denied that its recent decision to become incorporated in the Netherlands after 88 years in the UK was influenced by the abolition of the tax. The revelations highlight the ruling coalition's fragility, and the importance of minimising discord among the four parties in order to avoid legislative paralysis in the next three years.

Business Continuity

Business failures decline

The latest data from Altares, Dun & Bradstreet's Rotterdam-based World Wide Network partner, point to further declines in the rate of business failures. The revised data revealed 922 failures in Q1 compared with 1103 for the same quarter in 2017. This is consistent with the considerable fall in insolvency risk in 2017 which was observed in most other European economies. Dun & Bradstreet predicts this positive trend to continue for the foreseeable future, thereby helping to reduce the risk of non-payment.

Short-Term Economic Outlook

Growth revised up

In 2017 the economy grew even faster than previously reported. Real GDP was revised up to 3.3% - from 3.2% - to confirm the economy's fastest expansion in a decade. The 6.4% rise in exports was an important contributor to the accelerated economic activity as global export demand and commodity prices staged a marked recovery last year. Other key contributors were the 5.7% increase in imports, and the 1.9% expansion in private consumption underpinned by a 5.7% rise in fixed investment.



COUNTRY PROFILE AND STATISTICS

Overview

The Netherlands is situated on the North Sea between Germany and Belgium; its location has helped it to become one of the world's most important logistics hubs. The country was a founding member of the EU and supports a strong role for multilateral organisations. The Netherlands is among the richest countries in Europe, and its economy is internationally oriented and home to several multinational companies; it is a key actor in international investments with a high-tech export profile. The global financial crisis raised macroeconomic risks for the open Dutch economy, as exports to key markets suffered amid weak global demand.

Traditionally, the Netherlands has been a prosperous democracy, characterised by a high degree of consensus and social cohesion; Dutch society places a strong emphasis on equality and tolerance. However, several challenges to this well-established democracy have appeared in recent years, such as increased suspicion towards immigration, rising political instability, and general discontent with the effects of EU membership. This contributed to a far-right political party becoming the second-largest party in the Netherlands following the 2017 election.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Mark RUTTE
Capital	Amsterdam
Timezone	GMT+01-00
Official languages	Dutch, Frisian
Population (millions)	17.0
GDP (USD billions)	826.8
GDP per capita (USD)	48,535
Life expectancy (years)	81.6
Literacy (% of adult pop.)	99.9
Surface area (sq km)	41,543

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017
Real GDP growth (%)	-0.1	1.4	2.3	2.1	3.1
Nominal GDP in USDbn	867	880	758	777	827
Nominal GDP in local currency (bn)	653	663	683	703	734
GDP per Capita in USD	51,470	52,090	44,768	45,759	48,535
Population (year-end, m)	16.8	16.9	16.9	17.0	17.0
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.9	0.9	0.9
Current Account in USDbn	85.7	76.1	65.9	65.7	63.7
Current Account (% of GDP)	9.9	8.6	8.7	8.5	7.7
FX reserves (year-end, USDbn)	331.0	327.6	333.9	344.4	354.3
Import Cover (months)	1.3	1.3	1.5	1.5	1.4
Inflation (annual avge, %)	2.6	0.3	0.2	0.1	1.3
Govt Balance (% GDP)	-2.4	-2.3	-2.1	0.4	0.7

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	2.6	2.3	2.2	2.0	1.8
Nominal GDP in USDbn	947	987	987	1,039	1,067
Nominal GDP in local currency (bn)	764	796	829	859	889
GDP per Capita in USD	55,423	57,588	57,425	60,322	61,746
Population (year-end, m)	17.1	17.1	17.2	17.2	17.3
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	67.2	73.0	70.1	71.7	74.7
Current Account (% of GDP)	7.1	7.4	7.1	6.9	7.0
FX reserves (year-end, USDbn)	372.4	391.4	411.3	428.0	445.4
Import Cover (months)	1.3	1.3	1.3	1.3	1.2
Inflation (annual avge, %)	1.5	1.9	2.0	1.6	1.7
Govt Balance (% GDP)	0.5	-0.1	-0.2	-0.2	-1.0

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Netherlands	Belgium	Denmark	France	Germany
Income per Capita (USD)	55,423	49,040	58,237	44,990	50,947
Country Population (m)	17.1	11.5	5.8	65.2	82.3
Internet users (% of population)	90.4	86.5	97.0	85.6	89.6
Real GDP Growth (% p.a., 2018 - 2027)	1.2 - 2.4	1.5 - 2.5	1.4 - 2.3	1.3 - 2.5	1.8 - 3.0

Source : Various sources/Dun & Bradstreet



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