



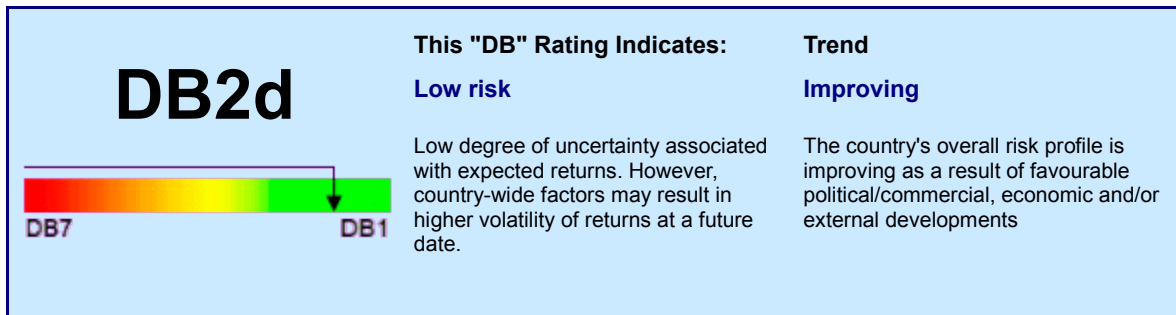
Decide with Confidence

NETHERLANDS

Region : Western Europe

Edition : February 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	16.7m
Surface area (sq km):	41,543
Capital:	Amsterdam
Timezone:	GMT+01:00
Official languages:	Dutch, Frisian
Head of government:	Prime Minister Mark RUTTE
GDP (USD):	780.0bn
GDP per capita (USD):	46,666
Life expectancy (years):	80
Literacy (% of adult pop.):	99.9

Country 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 is a founding member of the EU and supports a strong role for multilateral organisations. The Netherlands is among the richest countries of Europe. The country's economy is internationally oriented and is 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 to 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. Nonetheless, right-leaning parties lost substantial support in the 2012-elections

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	SD
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D&B'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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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.

Trade & Commercial Environment

In the World Bank's *Doing Business 2014* report (which measures the ease of doing business), the Netherlands ranks 28th, two positions up from the 2013 edition. The country ranks well in terms of resolving insolvency (5th) and trading across borders (13th), and has also made significant progress in the 'starting a business' sub-category: its rank improved from 66th to 14th within one year. However, businesses criticise the difficult access to credit (73rd), the complicated process of getting building permits (97th, down 13 positions compared with the 2013 report). The Netherlands ranks very poorly when it comes to protecting investors (115th out of 189 countries surveyed) and we expect no change to this in the outlook period.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	1.0	-1.3	-1.1	0.3	1.2
Inflation, annual ave, %	2.5	2.8	2.6	2.1	2.0
Govt balance, % GDP	-4.3	-4.1	-3.5	-3.3	-1.5
Unemployment, %	4.4	5.3	6.7	7.0	6.7
C/A balance, % GDP	7.3	6.8	7.8	7.7	7.5

Inflation and unemployment are based on EU-harmonised data.

Currency Information

Exchange Rates

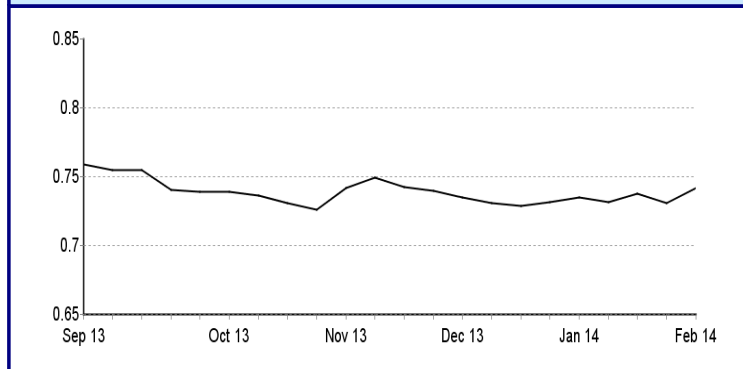
(London, 03 Feb 14)

GBP	1.2187
JPY*	0.7271
USD	0.7415

*(x 100)

Local Currency

(Euro [EUR]: USD)

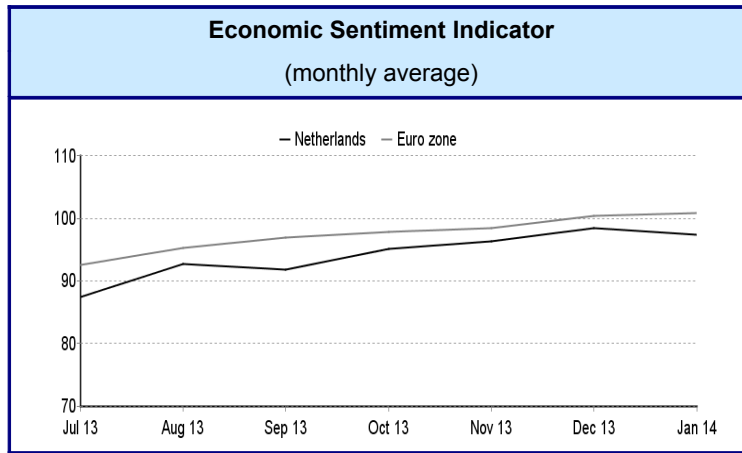


Local Currency

(Euro [EUR]: USD)

	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14
Week 1	0.758	0.738	0.741	0.734	0.735	0.742
Week 2	0.754	0.736	0.749	0.731	0.731	
Week 3	0.754	0.730	0.742	0.728	0.738	
Week 4	0.740	0.725	0.739	0.732	0.731	
Week 5	0.738					

Economic Sentiment Indicator



Data Table						
Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14
87.5	92.7	91.8	95.1	96.4	98.4	97.4
92.5	95.3	96.9	97.8	98.5	100.4	100.9

Risk Factor

The Netherlands' risk outlook has improved over the past months but is still substantially gloomier than neighbouring Germany and Belgium. After contracting by 1.3% in 2012 and by an expected 1.1% in 2013 (data have yet to be released), several forward-looking indicators suggest that the country will return to growth in 2014. In the important manufacturing sector, the *Purchasing Managers' Index* (compiled by NEVI) rose to a 32-month high in December 2013 and new orders increased by the fastest rate since April 2011, while production also grew robustly. Simultaneously, industrial production increased for the third straight month in November (albeit at a very weak 0.4% year on year, y/y, down from 2.4% in October). Much of the improvement in industrial production was generated in the transport equipment sector (+9.0% y/y) and the food-processing sector (which has raised production for the 11th month running), while the chemical industry is still struggling. Positively, other sectors are also showing encouraging signs. Eurostat's *Confidence Indicator* for the services sector is back in positive territory (reaching 3.5 points in January); the last time this occurred was in October 2011. The sector expects higher demand in the 12 months ahead (a view D&B shares), but sales prices will come under pressure, too.

Meanwhile, the Dutch recovery is not free from setbacks. Unemployment, which fell in November, increased again in December to reach 7.0%, the highest value ever recorded. Although the increase in December was somewhat anticipated (as cold weather leads to layoffs in sectors like construction and agriculture), the development could easily endanger the fragile upturn in consumer confidence and household consumption. Data from the Dutch statistics office show that household spending rose by 0.2% y/y in November. Although this growth rate is feeble, it is the first time in 30 months that consumer spending has increased. Eurostat's *Consumer Confidence Indicator* remains on an upward trend too (coming in at -2.6 points in January, the best reading since July 2011), but with unemployment projected to rise marginally in 2014 and the government implementing a new austerity package (of EUR8bn) in order to bring the fiscal deficit under control, this improvement could be short lived.

In addition to the recovery in the country's key export market, the euro zone, the Dutch economy will benefit from a bottoming out of the domestic real estate crisis in 2014-15. House prices have come down by 20.0% since their peaks in 2008 but the decrease has slowed substantially throughout H2 2013. Prices fell by just 4.5% y/y in Q3 and 4.1% in Q4, down from levels of around 7.3% to 8.5% in H2 2012 and H1 2013, respectively. With the situation stabilising, household consumption could see substantial tailwinds.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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