

Dutch Economy Chart Book

Part 1: production, profits and investment of non-financial sector

ING Economics Department

Amsterdam • July 2017

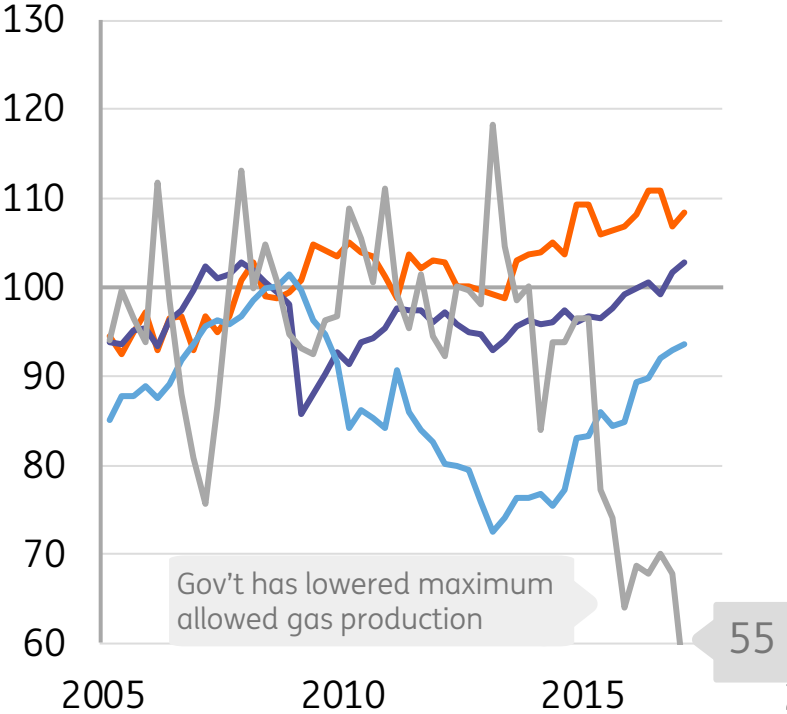
Non-financial businesses

- In 2016, almost all major market sectors further increased their production levels; a trend that is likely to continue in 2017.
- Most sectors have recovered to pre-crisis levels. Main exception is the construction sector, which is still some 7% smaller than in 2008. The gas sector (30% below 2008) was hit by the decision to lower the maximum allowed production in 2015. In 'gas year' 2016-2017, the production will be lowered further.
- The financial situation of companies is improving. The number of bankruptcies has dropped back to levels last seen ten years ago. Pre-tax profits of non-financial companies hit a record high at the start of 2017. These numbers are, however, skewed by income from foreign affiliates. The gross operating surplus – which excludes FDI income – paints a better picture of profitability in the Dutch domestic market. The profit ratio – operating surplus as % of valued added – has improved too, but it's still below 2008 levels.
- Indicators show that the economic recovery is gaining a firm foothold among SMEs. Smaller firms now also report, on balance, higher profitability, but their recovery clearly lags that of larger companies.
- Investment levels have increased strongly in recent years. Private investment excluding dwellings (as a percentage of GDP) is nearing its previous peak. The combination of higher output levels and rising profits induces companies to continue to step up investment, but at a slower pace than in previous years. Spending on vehicles and machines is back near 2008 levels, while ICT-related investment is even over 30% higher, mainly driven by investments in software. Investment growth in the commercial services sectors has started to normalize.
- After a sharp drop in 2008-2013, residential construction rebounded very strongly; in 2015, by almost 30% and in 2016 by a near 20%. This year, residential investment is expected to increase further, but the pace of growth is set to slow to around 10%.

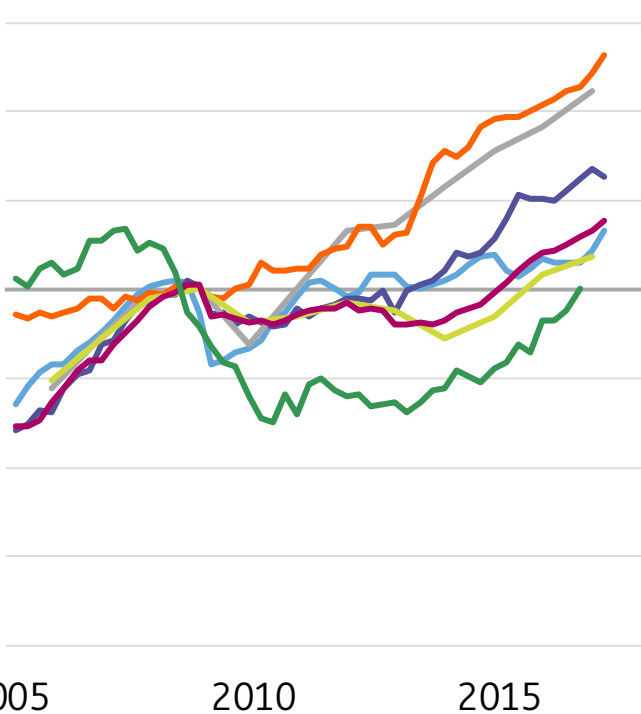
All sectors, bar construction and gas, have recovered to 2008 levels

Goods-producing sectors: mixed picture

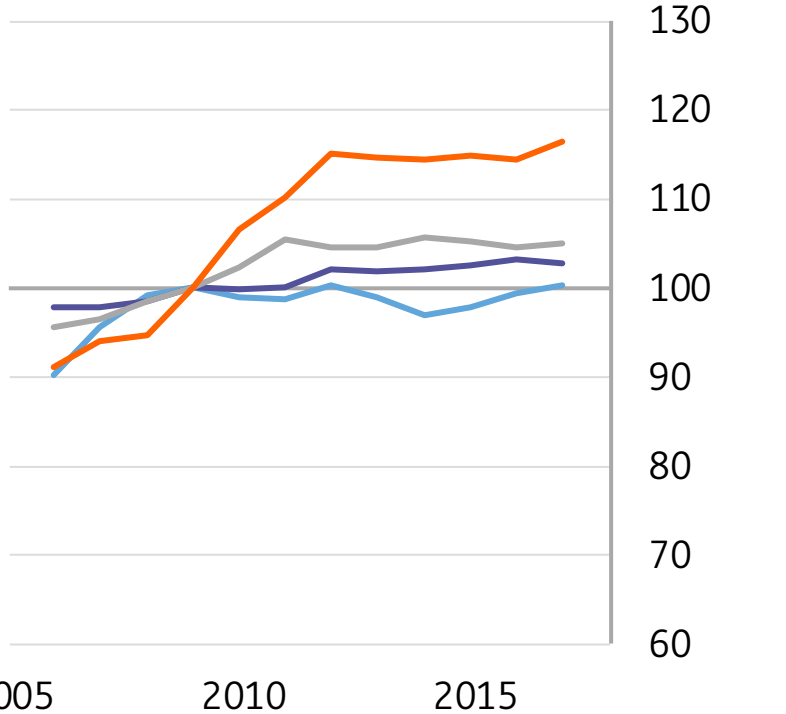
Output, index, 2008 = 100



Commercial services: trending up



Public services: stable



- Agriculture
- Manufacturing
- Mining/gas
- Construction

- Real estate
- Transport
- Hospitality
- Wholesale*
- Other
- Retail*
- ICT

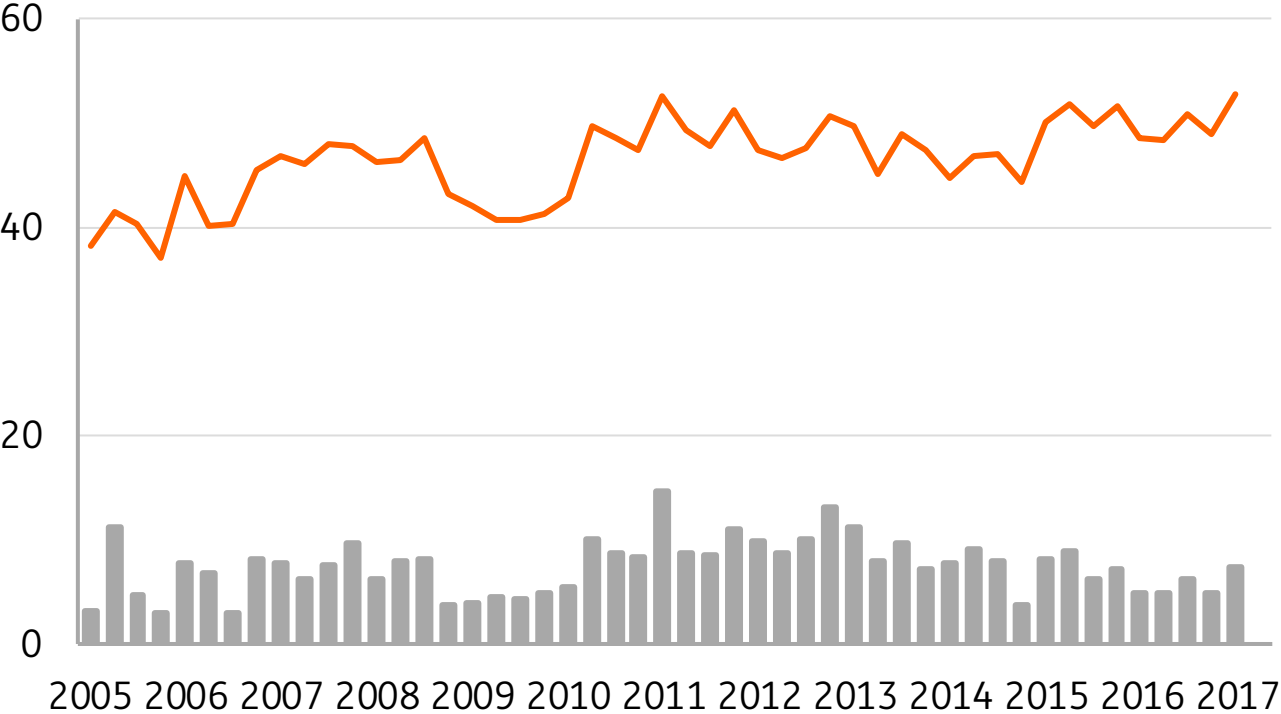
- Government*
- Health care*
- Education*
- Culture, sport & recreation*

* No quarterly data available

Higher profits for non-financial companies

Total profits (incl foreign affiliates) in euro's at a record high, but...

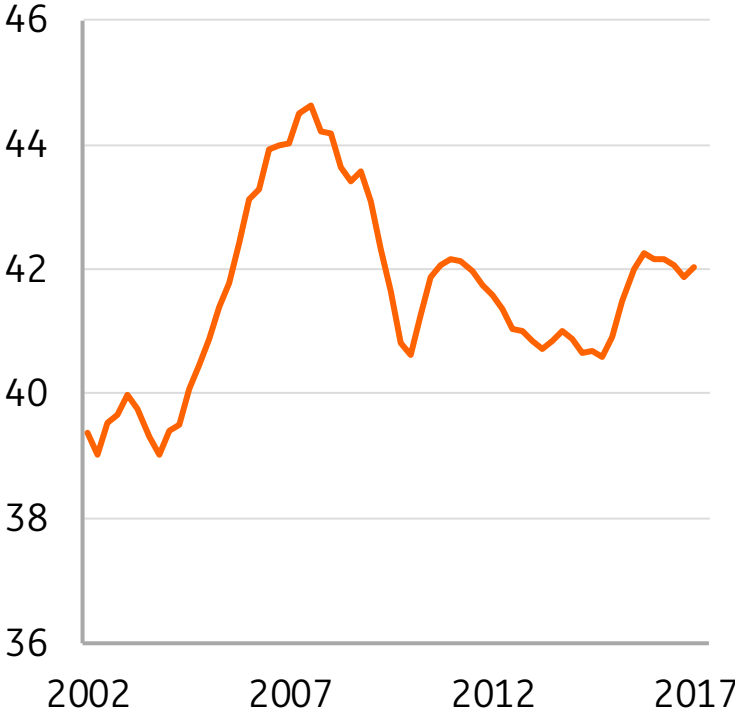
In euro billions, seasonally-adjusted



- Pre-tax profits of Dutch non-financial companies
- Profits of **foreign** affiliates of Dutch non-financial companies

...margins on domestic operations still average

Gross operating surplus as percentage of gross value added

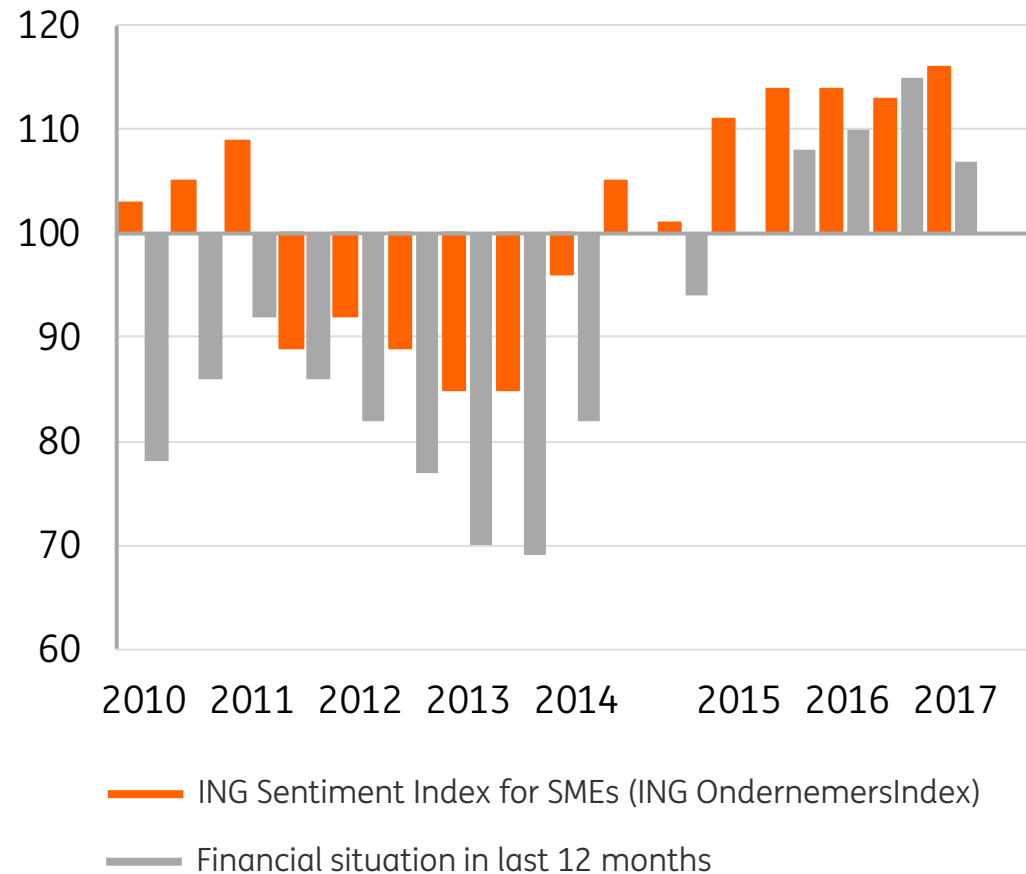


- Profit ratio, non-financial companies

Recovery is filtering through to smaller firms

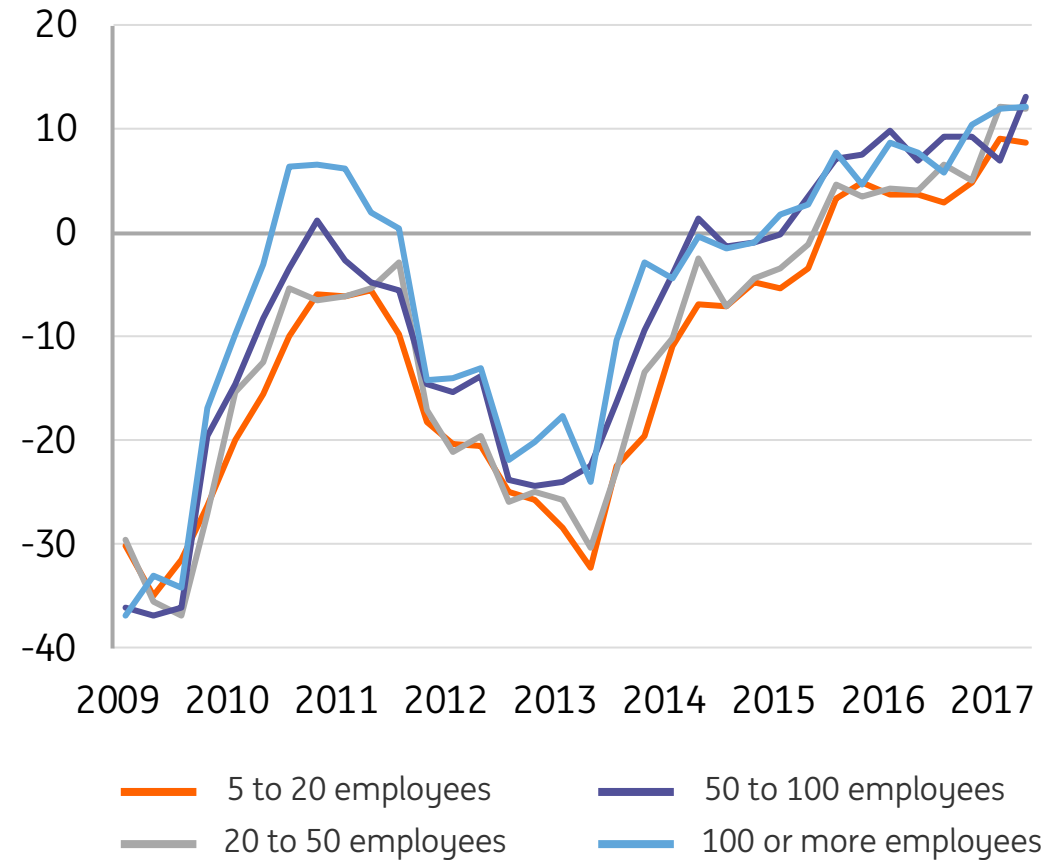
SMEs: more confidence and improved finances

Net % of firms reporting improvement (+) or deterioration (-), NSA



Positive trend in profitability

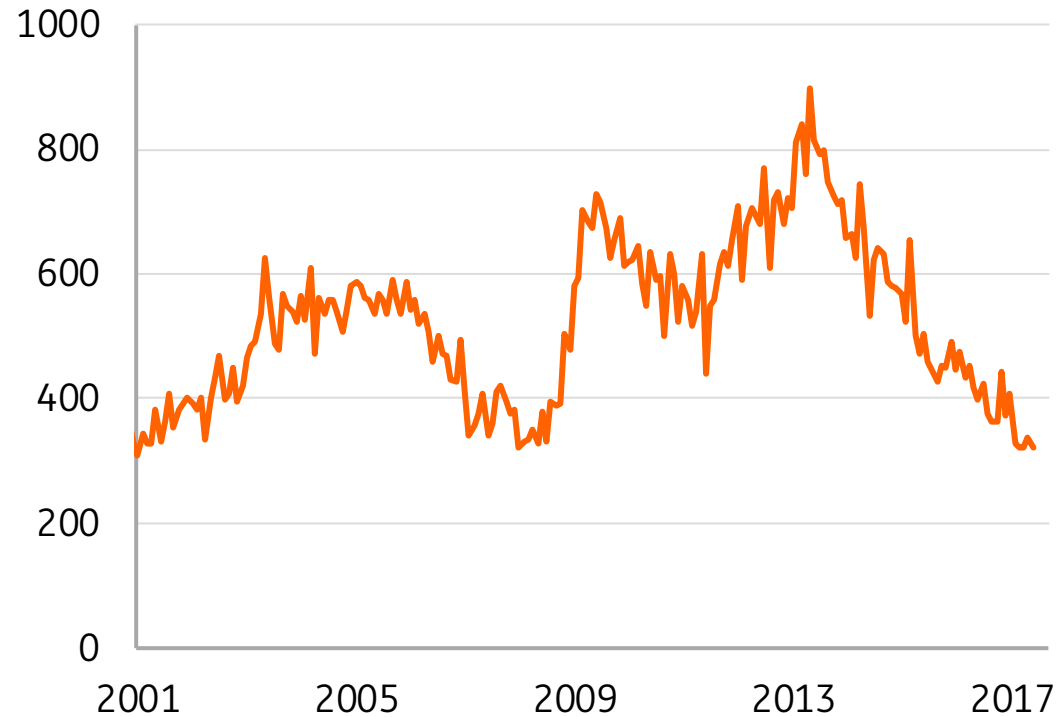
Net % of firms reporting higher (+) or lower (-) profitability in last 3 months



Fewer bankruptcies

Number of bankruptcies at multi-year lows

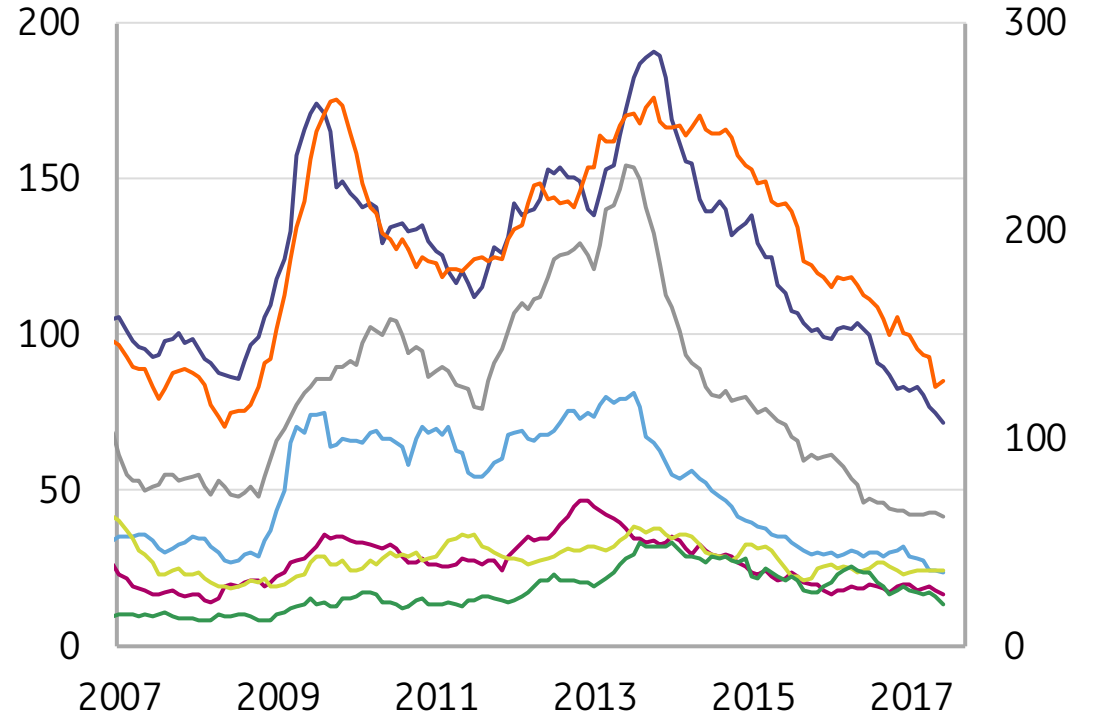
Per month, seasonally-adjusted



Bankruptcies per month

Declines in all sectors, strongest in construction and trade

Bankruptcies per month, 6M moving average

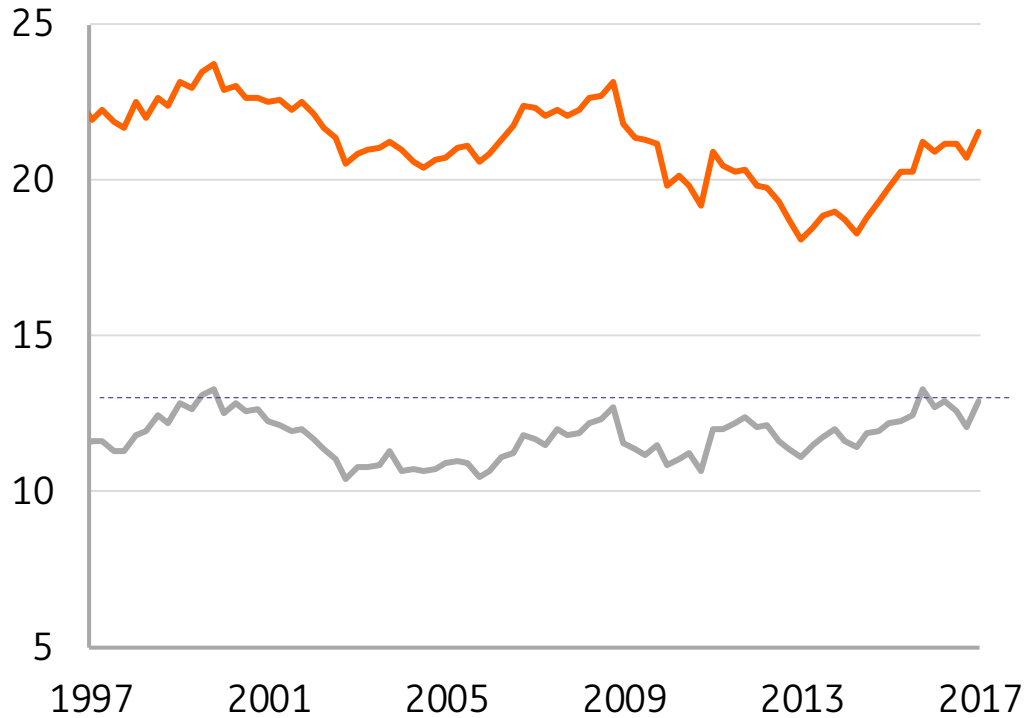


Comm services (right) Construction Trade
Industry Transport Hospitality
Public services (incl health)

Business investment has recovered, construction not yet

Total investment recovering, private investment near peak...

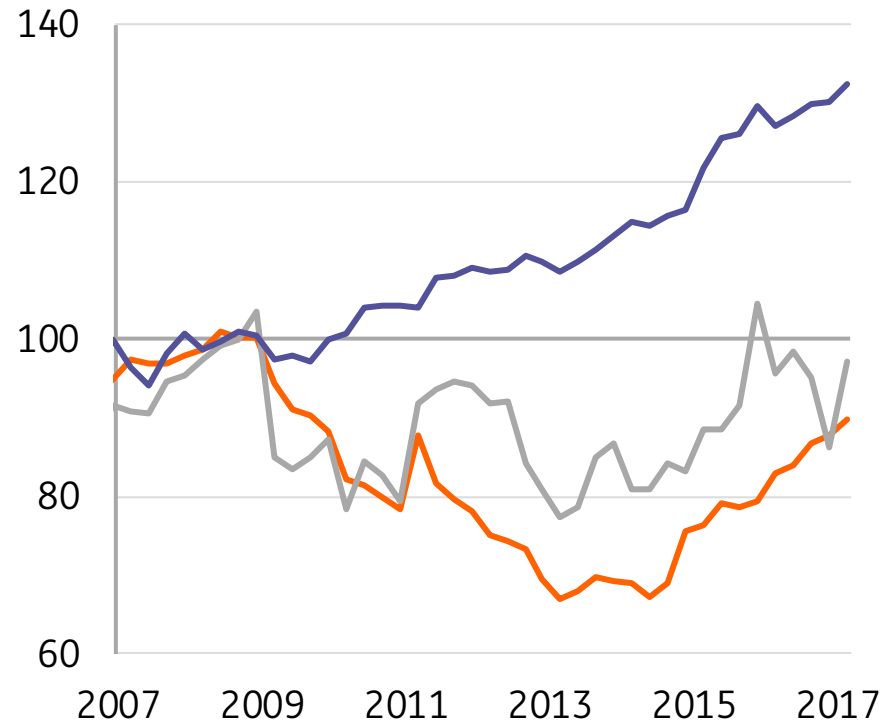
As % of GDP



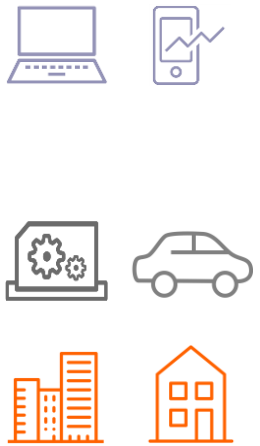
- Total investment (private + public)
- Private investment, excluding dwellings

...helped by steady uptrend in ICT investments

Index, 2008 = 100



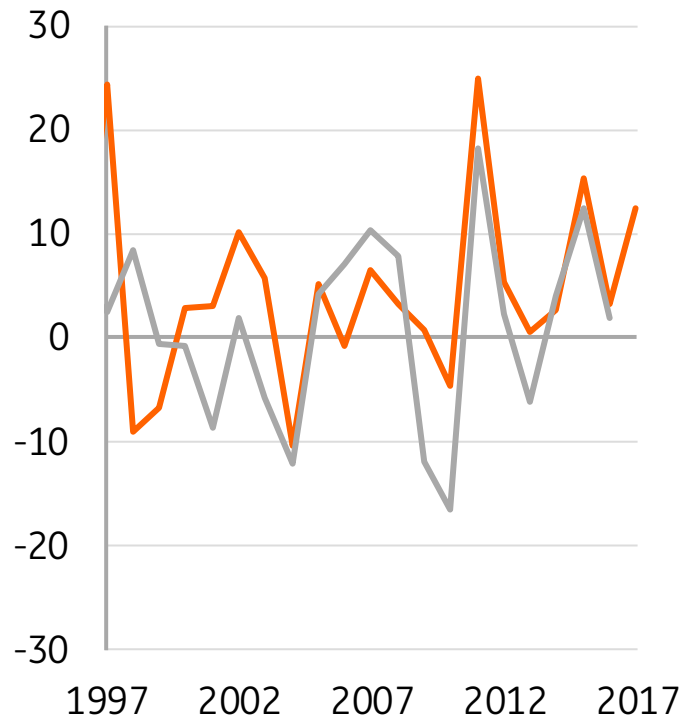
- Dwellings and other buildings (including roads, waterways, etc)
- Machines and transport vehicles
- Software, computers and R&D



Further investment growth, but at slower rate

Industry expects to invest more...

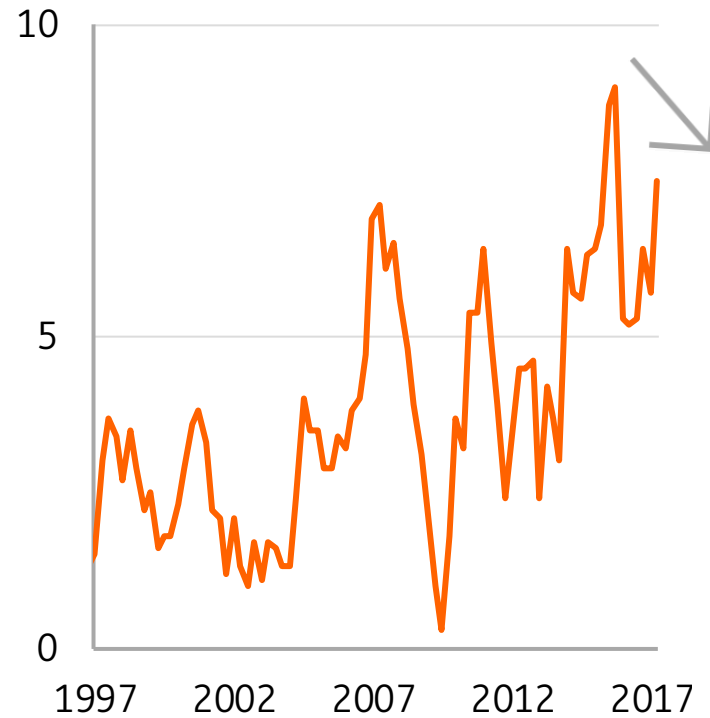
% change in fixed investment



— **Expected** increase in investment
— Actual

...but need for extra capacity has eased

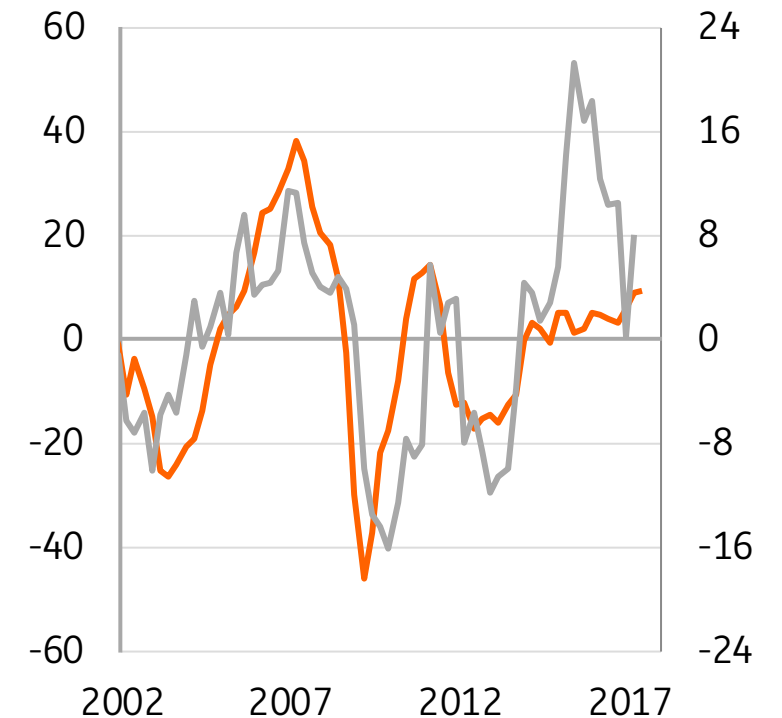
Percentage of firms



— Industrial firms reporting shortage of materials and/or equipment as main limit to production

Growth in comm. services has normalized

Index, dev. from LT-average Change YoY, in %



— Business confidence (left)
— Investment volume (right)

Contact details

More information?

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Data sources

Page	Sources
3	CBS, ING calculations
4	CBS
5	[1] ING [2] CBS
6	CBS, ING calculations
7	CBS, ING calculations
8	[1] DG ECFIN [2] CBS [3] DG ECFIN, CBS, ING calculations

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