

# CHART OF THE WEEK

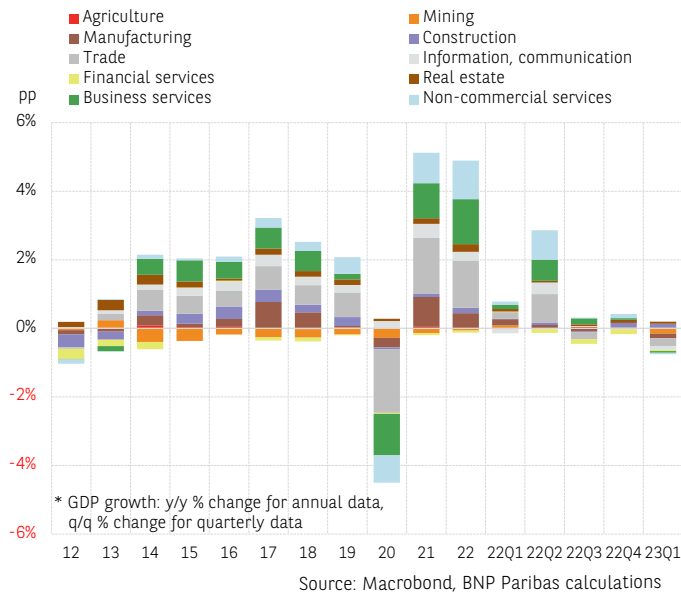


7 June 2023

## DUTCH GROWTH BETWEEN CYCLICAL HEADWINDS AND THE ENERGY TRANSITION

Stéphane Colliac

Netherlands: contributions to GDP growth\*, production approach



Dutch GDP contracted by 0.7% q/q in Q1 2023, after +0.4% q/q in Q4 2022 (revised by 0.2 percentage points to the downside). There are several drivers to this contraction observed in Q1.

From a production approach, this decline comes primarily from wholesale and retail trade. Foreign trade contracted (1.8% q/q drop in exports and 1.3% q/q drop in imports in Q1), which can be linked to the recession in Germany (-0.5% q/q in Q4 2022, then -0.3% q/q in Q1 2023). At the same time, the momentum in household consumption was interrupted (stabilised in Q1, after four consecutive quarters of increase), which weighed on domestic trade against a backdrop of rising inflation excluding energy (9% y/y on average in Q1, compared with 8% y/y in Q4).

The mining sector, in particular gas extraction, made the second negative contribution to growth in Q1. This mainly corresponds to the reduced production from the Groningen field, which is expected to close soon and whose activity has been steadily decreasing since 2015. This renewed drop in production follows a relative stabilization in 2022 due to the outbreak of the war in Ukraine and the sanctions taken by the EU against Russian gas.

However, the change in the Dutch energy mix is also having a favourable impact on GDP growth, with a positive contribution from the construction sector, in particular due to the sharp increase in installed renewable capacity, including solar (22,590 MW in 2023, compared to 7,226 in 2020 according to Entso-E).

Finally, a final negative element highlights the deterioration in the economic situation (Dutch and European) with the loss of momentum throughout 2022 for the manufacturing industry and business services, which fell into negative territory in Q1 2023, thus weighing on GDP growth.

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