



## P R E S S R E L E A S E

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### **Netherlands: What is the secret of Dutch trade?**

**Rising protectionism in China and the United States, Brexit, contracting world trade... despite all the clouds on the horizon, the Dutch economy remains surprisingly bright.**

A dominant global maritime and economic power in the 17th century, the Netherlands has remained a major player in world trade. In 2018, the Netherlands was the sixth-largest merchandise exporter in the world and, in terms of GDP, ranked third in 2015 (just behind Ireland and Switzerland).

However, times have changed: the global economic environment is less favourable and world trade has lost momentum. Coface expects world trade to decline by 0.8% in volume over the full year 2019.

What could this slowdown in world trade mean for Europe's largest port?

#### **An enviable situation in the European context**

In 2018, Dutch foreign trade (exports and imports of goods and services) was equal to 161% of GDP, compared to 50% for Germany. With the seaports of Rotterdam, Amsterdam, Moerdijk, Terneuzen and several international airports, the Netherlands is particularly well equipped and represents an essential logistics platform in the heart of Europe.

In a tightening global trade environment, it seems that Dutch exports are continuing to develop well with relatively high year-on-year growth rates compared to other countries. This is partly due to oil prices remaining at a high level, with crude oil and gas accounting for a significant share of exports produced in the country, but is also to the fact that the price competitiveness of the Dutch economy has increased in recent years. Labour costs decreased markedly in 2014 and have remained stable since then.

#### **The Rotterdam effect**

Due to the favourable geographical situation of the Netherlands and its competitive infrastructure, many goods transit via the Netherlands. The "re-export" of these goods is an integral part of the Dutch trade balance sheet. Even though the value added of these exports is very low, their volume has a major impact on trade statistics – this is known as the "Rotterdam effect". In 2016, total exports reached €432.5 billion, of which €189.1 billion (about 44%) came from re-exports. This means that although the Netherlands recorded a trade surplus of €52.1 billion in 2016, it would have been €20 billion lower without re-exports and imports.



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### **New and old obstacles are looming on the horizon**

The Netherlands is indeed the gateway for goods trade to Europe, particularly from the United States and China. The new US trade policy is already showing its effects, with a slowdown in Dutch exports to the United States since December 2018. Potential US tariffs on European cars also represent an imminent threat to the Netherlands.

But the threat of US tariffs is nothing compared to the potential impacts of a no-deal Brexit. According to CBS and the OECD, Dutch companies made a profit of €25.5 billion on exports of goods and services to the UK in 2018 (3.3% of Dutch GDP), making the UK the second-largest trading partner (after Germany) in terms of value added. And even though the United Kingdom has not yet withdrawn from the European Union, the effects of Brexit are already very visible, with the drop in the pound's value making Dutch products more expensive for the British, therefore reducing their competitiveness.

### **What future for Dutch dynamics?**

The Netherlands has unique characteristics, with an openness that makes it highly vulnerable to trade shocks, but simultaneously allows it to quickly adapt its trade relations.

A slowdown in world trade will not necessarily immediately affect Dutch export data supported by the Rotterdam effect but also due to the increasing independence of production and trade in Europe. Private consumption and investment are now the main drivers of Dutch trade, so even if world trade is weak, the Dutch economy can grow.

Consequently, despite this difficult global business environment, Coface still expects the Dutch economy to grow by 1.7% and 1.5% in 2019 and 2020 respectively, in line with the average growth rates of the last decade.

### **MEDIA CONTACT**

**ComCorp** : Caroline Pierron / Nelly Simonnet - +33 1 55 01 09 88 - [coface@comcorp.fr](mailto:coface@comcorp.fr)

#### **Coface: for trade - Building business together**

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