



# Press release

Statistics Netherlands

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## ***High growth rate, low household savings***

According to the National Accounts made by Statistics Netherlands, household savings in 1999 were down by 11 billion guilders (5 billion euros) on 1998. Apart from contributions to pensions and life insurances the savings are actually negative.

For the first time in 25 years the Dutch government received more money than it spent. There is a positive balance of almost 8 billion guilders (3.6 billion euros), or 1% of the Gross domestic product (GDP). This is due to the high economic growth rate of 1999, namely 3.9%.

### ***Negative savings by households***

Savings based on contracts, such as contributions to pensions and life insurances, were lower in 1999 than in 1998. The other household savings were 2 billion guilders or 900 million euros negative in 1999, whereas they had been 13 billion or 6 billion euros positive in 1997 and more than 7 billion or more than 3 billion euros positive in 1998.

The higher interest rates and the much-increased contributions to social premiums made that the spendable household income in 1999 did not develop very much despite growing employment and wage increases. All households together consumed more than their spendable income. One important part of the increase in consumption can be attributed to other sources of finance, such as cashing in on profits from investments. About 12.5% of total GDP growth was financed in this way.

### ***First income surplus for the government since 1974***

The government deficit changed to a 1.0% GDP surplus in 1999. It is the first time in 25 years that there is any surplus. There were much higher receipts from taxes (VAT, tax on acquisition of immovables, and income tax). The social insurance institutions had significantly greater surpluses. Moreover the burden of interest fell. These developments are based on the economic prosperity in the country.

### ***Dutch economic growth rate is high, also by European standards***

The economic growth rate of 3.9% in 1999 was not far behind that of 1998 (4.1%). The long period of high economic growth continued. The Dutch growth rate was substantially higher than that for the Eurozone

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as a whole, and was only exceeded within the European Union by Luxembourg and Ireland. At the moment the Netherlands holds fourth place within the EU in terms of GDP per capita.

### ***Fast growing labour volume, limited labour productivity growth***

Employment for employees increased by 190 thousand man-years in 1999, which comes to 3.5%. The biggest increase was in financial and business services, where IT companies were the leaders with a 20% growth rate.

The economic growth goes hand in hand with a greatly improved employment situation in 1999 and also with a limited increase in productivity.

### ***Price developments moderate by wages increases***

Despite the moderate wage increases (+3.0%), the increase of the GDP-deflator was limited to 1.7% in 1999. This is partly due to the limited increase in import prices (+0.4%). Within the Eurozone the Netherlands had one of the highest price increases, together with the other fast growing Euro countries.

The wage increases were moderate compared to the early nineties, but they were almost 0.1 percentage point higher than the sum of productivity increase by employees (+0.4%) and the GDP deflator (+1.7%). Since 1996 wage increases have picked up speed, from 1.4% in 1996 to 3.0% in 1999.

### ***Satisfactory growth in most industries***

There is a broad basis for the economic growth in 1999. Fast growing industries are car leasing companies, telecommunications and IT companies. The IT companies generated almost twice as much value added in 1999 as they did three years earlier.

In agriculture the substantial volume increase of 7% (at pig farmers among others) was cancelled out by an 11% price drop (pigs, eggs and milk).

In mining and quarrying there was a 6% volume drop, due to the heavy use of British and Norwegian natural gas, and a 9% price drop, as a late reaction to the earlier drop in oil prices in the natural gas rates for bulk users.

### ***Consumption, investments and international trade growing fast***

Household consumption (+4.4%), investments (+6.5%) and exports (+5.6%) all saw great volume growth in 1999. This means that almost all expenditure categories contributed greatly to economic growth.

In 1999 consumer spending on telecommunication services increased by a hefty 14%. This is the balance of the volume increase by more

than a quarter and a 9% price drop. Since 1995 household expenditure on telecommunications has virtually doubled.

For the third consecutive year the volume of exports did not grow as fast as the volume of imports. Moreover export prices fell in 1999, while import prices increased somewhat. All in all the trade balance fell by 5.9% of GDP in 1997 to 4.9% in 1999. This still made the positive trade balance for the Netherlands one of the highest in the Eurozone.

### ***For more information***

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### ***Key figures on the Dutch economy***

	<b>1997</b>	<b>1998*</b>	<b>1999*</b>
	<i>volume changes in %</i>		
Domestic product (gross, market prices)	3,8	4,1	3,9
Final consumption expenditure	3,1	4,1	3,8
households	3,0	4,4	4,4
general government	3,2	3,4	2,5
Fixed capital formation (gross)	6,6	4,1	6,5
Exports	8,8	7,4	5,6
Imports	9,5	8,0	6,3
National income (net, market prices) <sup>1)</sup>	4,3	3,8	3,8
Labour input of employed persons	3,2	3,0	2,9
Labour input of employees	3,3	3,7	3,5
	<i>in % of GDP</i>		
Government deficit	-1,1	-0,7	1,0
	<i>changes in %</i>		
GDP deflator	2,0	2,0	1,7

\* Provisional figures

1) Excluding reinvested earnings on direct foreign investment

### ***Composition of economic growth***

	<b>1997</b>	<b>1998*</b>	<b>1999*</b>
	<i>in percentage points of the volume growth of GDP</i>		
Exports	1,9	1,7	1,3
Final consumption expenditure	1,3	2,0	1,9
households	0,7	1,2	1,3
general government	0,6	0,8	0,6
Fixed capital formation (gross)	0,7	0,3	0,7
Changes in inventories	0,0	0,1	0,0
Gross domestic product (GDP)	3,8	4,1	3,9

\* Provisional figures