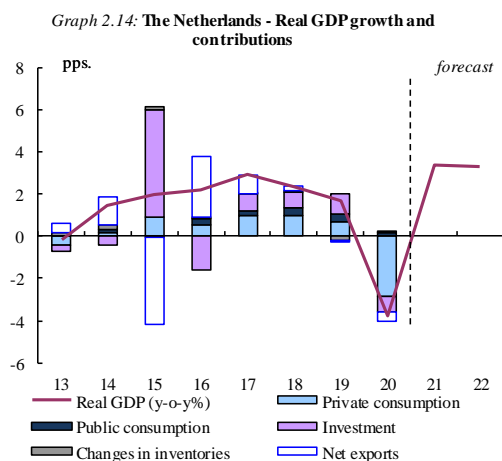


2.14. THE NETHERLANDS

The Dutch economy contracted by 0.8% q-o-q in the first quarter of this year as private consumption decreased strongly, constrained by COVID-19 containment measures. Since then, the health situation has improved and vaccination rates increased, allowing for the gradual reopening of non-essential shops, restaurants and the recreation sector. As a result, the economy is expected to rebound swiftly in the second and third quarter, by 2.3% q-o-q and 1.8% q-o-q, respectively. Overall, real GDP is expected to grow by 3.3% both in 2021 and 2022.

The ongoing implementation of the national vaccination strategy combined with the better health situation and the expected continued easing of containment measures over the summer have led to strong improvements in consumer and business sentiment, including in the services sector. As a result, the economy is projected to move onto a solid recovery path driven mainly by the rebound of private consumption. Investment is forecast to continue supporting economic growth on the back of a vibrant housing market and strong manufacturing sector, where previously postponed investment plans are being resumed. Resilient labour market dynamics and the recently announced extension of the government emergency support package for businesses (until September 2021) are set to further support the recovery in domestic demand.



Consumer price inflation is forecast to increase to 1.8% and 1.5% in 2021 and 2022, respectively. Annual HICP inflation rose to 2% in May driven by rising energy prices. Inflationary pressures are set to remain elevated in the second half of the year as the expected deceleration in energy prices inflation is roughly offset by increasing services price inflation, reflecting the combination of pent-up demand and constrained capacity due to some remaining restrictions. In 2022, consumer price pressures are forecast to ease due to moderate wage growth and an assumed decline in energy prices.