

2.14. THE NETHERLANDS

The Dutch economy recovered swiftly in 2021, as the health situation improved and restrictions were gradually lifted. Private consumption recovered especially quickly as the vaccination campaign progressed in the first half of 2021, allowing the economy to open up again. Net trade also contributed substantially, with imports only recovering partially while exports performed strongly. After a rebound in late 2020 and early 2021, investment contracted in the second and third quarters of 2021 due to supply side constraints. Investment activity was in particular affected by shortages and longer delivery times of raw materials and intermediate inputs as well as increasing labour shortages. The economy reached pre-pandemic levels in the third quarter, but economic expansion was brought to a halt by a new wave of the pandemic and related restrictions on economic activity. Reflecting the strong recovery overall, annual GDP growth in 2021 is forecast at 4.3%.

Growth is expected to remain robust in 2022, despite strict COVID-related restrictions weighing on economic activity in the first quarter. Private consumption is set to show a small dip in the first quarter due to the restrictions. Thereafter, however, a quick rebound is forecast and private consumption is expected to remain the main growth driver in 2022. Labour shortages are set to continue to weigh on investment activity of businesses while other supply side constraints are expected to ease in the course of 2022. Overall, GDP growth is forecast at 3.0% in 2022. In 2023, it is projected to remain strong with consumption and government spending driving the growth of 2.7%.

Consumer price inflation increased substantially in the final quarter of 2021 due to surging energy prices, with inflation over the whole year coming in at 2.8%. For 2022, inflation is forecast to increase further to 4.0% with energy prices expected to remain relatively high throughout the year and second-round effects driving up prices of industrial goods and food products. Inflation is projected to moderate to 1.4% in 2023 when energy prices are expected to show a more marked decrease.

Despite a tight labour market and rising inflation, wage growth does not show a clear upward trend yet, reflecting the uncertainty caused by the pandemic and indicating that wages react to economic developments with a delay. Wage growth is however expected to pick up in the course of 2022 and 2023 as the tight labour market and strong recovery start to affect wage developments.

