Report on the Impacts of COVID-19 on the Dutch Economy *5 June 2020*

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Summary

- *The Dutch economy has weathered the first stages of the COVID-19 outbreak better than many other European countries, in part due to the fact that many businesses were able to continue operating throughout. Nonetheless, the economy contracted by 1.7% in the first quarter of 2020, and exports and retail sales have fallen sharply while unemployment has started to rise. With exports equivalent to 83% of GDP, the Dutch are trade dependent and economic recovery could be delayed by recessions in major trading partners.*

- *The economic impacts have been limited by government actions to support job retention (wage subsidies and strong employment legislation) and buffer the impact on small and medium enterprises (tax deferrals, subsidies, flexible regulation).*

- *With elections just 10 months away, and the number of COVID-19 related hospitalisations and deaths trending down sharply, MPs and ministers are turning their focus to the economic recovery.*

- *Full details on Dutch government support for business is available at https://business.gov.nl/corona/overview/the-coronavirus-and-your-company/*

Report/findings

1 While the Dutch-defined "intelligent lockdown" implemented by the Dutch government allowed many businesses to continue operating through the COVID-19 outbreak, the domestic restrictions and disruptions to international trade caused by lockdowns elsewhere have nonetheless had a major impact on the Dutch economy. Whereas initial forecasts for 2020 were for solid growth, **the economy contracted by 1.7% in the first quarter** (which included less than three weeks of lockdown restrictions). This was the biggest single quarter contraction since 2009 and expectations are for an even bigger contraction in the second quarter.

2 Alongside falling GDP, the March saw the **largest ever reduction in household consumption** (6.7% down in March). The services sector was particularly hard hit, as many businesses (restaurants, hairdressers, theatres, gyms) were completely closed from mid-March, while others (e.g. public transport) were heavily affected by the Government's advice to work from home. **Exports dropped by 4 % in March** and **retail sales dropped by 1.5% in April** (though the food and online sectors experienced growth). Car sales in the first quarter were down 1.8% on a year earlier, the first drop since 2013. The hospitality industry has been one of the hardest hit sectors, with a 14% drop in turnover in the first quarter. The Dutch entrepreneurial spirit has come to the fore, with many

restaurants (including at the high end) quickly adapting to provide takeaway options. In preparation for the social distancing requirements of the next phase (the "one and a half metre society"), one restaurant in Amsterdam has even gone so far as to build individual glasshouses around its tables to enforce separation between customers.

3 To protect jobs, the government has implemented a **wage subsidy scheme** which covers up to 90% of wage costs for the most seriously affected business. Independent contractors are able to apply for unemployment benefits without any of the normal restrictions (e.g. asset or partner income tests). From 1 June benefits under this provision will be subjected to a partner income test. The wage subsidy was conditional on the business not making any staff redundant, with any redundancies invoking a requirement to repay the wage subsidy and a substantial fine. In extending the measure beyond its initial expiry period (1 June) the government has relaxed the rules, allowing for redundancies without a fine for up to 20 employees, or where restructuring plans have been agreed with the relevant union**. These measures have softened the impact on employment** in the short term, but nonetheless a record decrease in the number of people employed (160,000) was recorded in April as a result of both higher levels of job losses and lower recruitment. The number of people receiving the basic unemployment benefit increased slightly in March, ending three years of month-on-month decreases.

4 **All affected small and medium enterprises were able to apply for a one-off €4,000** (NZ$7,115) payment to help with non-wage costs. The government reserved an additional €1 billion (NZ$1.78b) to increase this support, initially up to €20,000 (NZ$35,500) per company, dependant on the extent of lost income. **The level of support has since been increased to €50,000** (NZ$88,900). The possibility to defer tax payments has been extended to September, but will now be subject to an undertaking not to pay dividends or bonuses, or to engage in share buy-backs. These measures have been effective so far in limiting the number of bankruptcies which are barely higher than last year.

5 The Netherlands remains reliant on trade, with 2.3 million jobs in 180,000 companies dependent on international trade. **The Government has made additional loans available on favourable terms** to businesses through the Dutch Trade and Investment Fund Dutch Good Growth Fund. The Dutch MBIE and NZTE equivalents have set up emergency lines where businesses can seek advice, and Dutch missions abroad have been tasked to support businesses encountering difficulties operating internationally. The Dutch are pushing for restrictions within the EU internal market to be lifted as soon as public health criteria make this possible. Ministers told Parliament that the Government will push for EU recovery support to be used to converge the competitive position of European economies on a higher level, while supporting the green and digital transitions and working towards further development of the single market.

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