Dutch export of services strong in 2015

With a 1.9% increase in GDP, 2015 was a positive year for the Dutch economy. Exports made a strong contribution to this economic growth, in particular exports of services, which rose in value by 8.1% last year to close on 161 billion euros. Once again the US was ‘our’ biggest customer in 2015, buying services worth 19.6 billion euros from the Netherlands.

This memorandum looks into the development of Dutch exports of services in 2015. It also outlines expectations for growth in Dutch exports for 2016 and 2017.

Growth in the Dutch economy last year – at 1.9% – was at its highest level since 2007. Exports again made a strong contribution to this economic growth (Figure A). In 2015 the volume of Dutch GDP has, for the first time, exceeded the level achieved prior to the world economic crisis. The added value created (GDP) totalled 679 billion euros. This means that the average income per inhabitant last year was approximately 40,200 euros, of which around a third can be attributed to our international trade. Corrected for price differences, Dutch per capita income in 2014 was 31% higher than the EU average (Figure B). In Belgium per capita income was ‘only’ 19% higher, while the buying power of the average German was 24% higher than the average in the European Union. Only the average buying power of those living in Ireland and Luxembourg was greater than that of the average resident of the Netherlands.

Figure A – contribution to GDP growth by spending category

According to Statistics Netherlands, the Netherlands exported goods and services worth a total of 586 billion euros last year. There was an increase of 4.4% in 2015 over 2014 in the volume of export of goods and services (excluding energy), according to figures from CPB Netherlands Bureau for Economic Policy Analysis (CPB). Out of this total, the volume of services export rose by an above-average 8.1%, while export of goods (excluding energy) experienced below-average growth, with a 3.2% increase in volume.

Figure B – the Netherlands belongs to the top 3 most prosperous EU Member States (2014 figures)\(^1\)

\[\text{Index, EU-28=100}\]

\[
\begin{array}{c}
\text{Italy} \\
\text{Japan} \\
\text{France} \\
\text{Belgium} \\
\text{Sweden} \\
\text{Germany} \\
\text{Denmark} \\
\text{Austria} \\
\text{Netherlands} \\
\text{Ireland} \\
\text{United States} \\
\text{Switzerland} \\
\text{Luxembourg}
\end{array}
\]

\[0 \quad 50 \quad 100 \quad 150 \quad 200 \quad 250\]

\[\text{Index GDP per capita, adjusted for purchasing power parity (PPP)}\]

**Eurestat, 2016**

\[\text{ICT services, royalties, DJs and models generate considerable export income}\]

The value of Dutch export of services rose by 8.2% in 2015 (from 2014, see Table 1) to 160.7 billion

\[1\] Luxembourg’s per capita GDP is not a realistic representation of average purchasing power per Luxembourg inhabitant. The figure is particularly sharply distorted upwards by the large number of cross-border workers: approximately one-third of people working in Luxembourg are Belgians, Germans and French citizens who commute to Luxembourg every day. Their income is included in Luxembourg’s GDP and thus in the income per Luxembourg resident, although the actual income (purchasing power) has its effect outside Luxembourg.
euros$^2$. The most important services exported were ICT services, which brought in 33.3 billion euros. Such services are provided by the Amsterdam Internet Exchange (AMS-IX), for example. AMS-IX is the world’s second-largest digital data distributor$^3$. The provision of international transport services was once again a major Dutch export product in 2015, with a value of 31.4 billion euros. These services reflect the important logistical role played by Dutch traders and transporters on the international stage. The export of rights to use intellectual property (registered in the Netherlands) is also an important export product. Last year the Netherlands received a total of 24.7 billion euros in royalties and fees for the use of licence rights$^4$.

Furthermore, the provision of all kinds of other business services earned Dutch companies many billions of euros. In the area of industrial services, such as setting up, positioning and providing instructions for machines from Stork and VDL, income totalled 5.6 billion euros, and maintenance and repairs (for example, machines from ASML and BAT Machinebouw, yachts at Royal Van Lent, aircraft at Fokker and KLM Engineering & Maintenance$^5$), earned 1.9 billion euros. Exports of construction services – bringing in 2.7 billion euros in 2015 – comprised, among other things, activities of architectural firms such as Architectenbureau Marlies Rohmer, MVRDV and OMA (Rem Koolhaas), and dredging work by Royal Boskalis Westminster, Van Oord and Ballast Nedam/Renaissance Construction.

Internationally active SMEs
Among new companies, 8% immediately start to trade internationally. According to Panteia/EIM, just over 9% of all small and medium-sized enterprises are involved in exports. When this percentage is applied to Statistics Netherlands figures for the whole of ‘Dutch business’, it means that at the beginning of 2016, the Netherlands had around 90,000 SMEs operating internationally. The majority of these (roughly 80,000 companies, or 8% of all SMEs) are exporters of goods. ‘Only’ 1.1% of all SMEs (approximately 11,000 companies) export services. The proportion of SMEs that are

$^2$ There was a small increase in the prices of services exported in 2015, according to the CPB (up by 0.6% from 2014). Therefore, the 8.2% rise in value is largely due to an increase in volume. CPB figures show that volume growth was 8.1% (see earlier in the text). However, the CPB and Statistics Netherlands figures do not appear to match completely: see also the explanation of Table 2.

The export value for 2014 was 148.5 billion euros. Due to the use of a different measurement method, the figures that Statistics Netherlands has for export of services in previous years cannot be compared with the figures for 2014 and 2015.

$^3$ In the near future, companies such as Google and Microsoft will export even more ICT services from the Netherlands: in autumn 2014, the Dutch minister of Economic Affairs, Henk Kamp, officially announced that Google was going to build a big data centre in Eemshaven, in the province of Groningen. This investment of hundreds of millions of euros will result immediately in 100 to 200 new jobs. The centre will be the size of around 70 football fields. In size it is comparable with the data centre that Microsoft built recently in Middenmeer, in the province of North Holland.

$^4$ The cause of the sharp rise in the export of these rights in 2015 (a rise of no less than 66.6% from 2014) is unknown. Although the Statistics Netherlands figures for years prior to 2014 are either difficult or impossible to compare with the export figures for 2014 and 2015 – due to a different measurement method – it is striking that in 2013, export of royalties and licences totalled 25 billion euros (2012: 24 billion euros and 2011: more than 22 billion euros).

$^5$ KLM Engineering & Maintenance provides technical support to more than 20 airlines at 50 airports.
involved in exports is relatively stable, according to Panteia/EIM. Because the total number of SMEs has been growing strongly for years, the absolute number of exporters of goods has also grown over recent years.

SMEs account for more than a quarter of goods export, with the rest being sold by large companies. According to Statistics Netherlands, in 2013 the Netherlands had 8,000 ‘home-grown’ multinationals, against 12,000 foreign multinationals that are active in the country. Examples are Boeing, Bosch, Heinz, Huawei, Siemens and Teijin. Foreign companies provide more than 900,000 jobs in the Netherlands.


### Table 1 – Export of Dutch services by type of service* (amounts x 1 million euros, unless indicated otherwise)

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2014</th>
<th>2015</th>
<th>%-change 2015 vs 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value exports of services</td>
<td>148,451</td>
<td>160,653</td>
<td>8.2</td>
</tr>
<tr>
<td>SA Industrial services</td>
<td>4,995</td>
<td>5,578</td>
<td>11.7</td>
</tr>
<tr>
<td>SB Maintenance and repairs</td>
<td>1,748</td>
<td>1,906</td>
<td>9.0</td>
</tr>
<tr>
<td>SC Transport services</td>
<td>31,809</td>
<td>31,377</td>
<td>-1.4</td>
</tr>
<tr>
<td>SD Travel</td>
<td>9,749</td>
<td>10,207</td>
<td>4.7</td>
</tr>
<tr>
<td>SE Construction services</td>
<td>3,002</td>
<td>2,728</td>
<td>-9.1</td>
</tr>
<tr>
<td>SF Insurance services</td>
<td>1,221</td>
<td>1,329</td>
<td>8.8</td>
</tr>
<tr>
<td>SG Financial services</td>
<td>4,883</td>
<td>4,693</td>
<td>-3.9</td>
</tr>
<tr>
<td>SH Use of intellectual property</td>
<td>14,843</td>
<td>24,735</td>
<td>66.6</td>
</tr>
<tr>
<td>SJ Telecommunication and computer services</td>
<td>35,381</td>
<td>33,318</td>
<td>-5.8</td>
</tr>
<tr>
<td>SJ Other business services</td>
<td>37,146</td>
<td>41,175</td>
<td>10.8</td>
</tr>
<tr>
<td>SK Pers., cult. and recreational services</td>
<td>2,067</td>
<td>1,866</td>
<td>-9.7</td>
</tr>
<tr>
<td>SL Government services</td>
<td>1,607</td>
<td>1,740</td>
<td>8.3</td>
</tr>
</tbody>
</table>

*See explanation in Appendix I.


The broad export category ‘other business services’ comprises, among other things, consultancy activities in the areas of company organisation and legal services (for example, Berenschot and Houthoff Buruma), and geoscience services (Fugro). The offshore activities of Heerema and salvage operations of Mammoet and Koninklijke Boskalis Westminster (which includes, among others, the former Smit Internationale) also belong to this category. The same is true for income from activities abroad earned by Dutch top DJs.

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6 A multinational is a company that has ultimate control over companies in two or more countries.

7 In 2014, four Dutch DJs were in the world’s top five and nearly a third of the top 100 were Dutch DJs.
Martin Garrix, Hardwell, Tiësto, Nicky Romero and Armin van Buuren, and internationally successful Dutch models such as Bette Franke, Bregje Heinen, Kim Noorda, Marloes Horst, Yfke Sturm, Doutzen Kroes and Lara Stone. In addition, tourist activities, which are included in the travel services category, generated an income of 10 billion euros. This was 4.7% more than in 2014. The Zaanse Schans collection of windmills and traditional houses near Amsterdam was the most popular attraction for foreign tourists, with 1.6 million of them visiting this nearly 500-year-old open-air attraction last year.

Table 2 – Development of Dutch exports (amounts x 1 million euros, unless indicated otherwise)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value export of goods</td>
<td>433,106</td>
<td>433,405</td>
<td>425,493</td>
<td>-1.8</td>
</tr>
<tr>
<td>Total export of services</td>
<td>Not available#</td>
<td>148,451</td>
<td>160,653</td>
<td>8.2</td>
</tr>
<tr>
<td>Total export value</td>
<td>Not available#</td>
<td>581,856</td>
<td>586,146</td>
<td>-</td>
</tr>
</tbody>
</table>

*The figures in this table are from Statistics Netherlands. They are not consistent with CPB figures. According to the CPB (Central Economic Plan 2016), export from the Netherlands totalled 555.4 billion euros in 2015. Of this total, export of goods had a value of 428.4 billion euros and export of services had a value of 127.1 billion euros. #In 2014 Statistics Netherlands switched to a different method for measuring import and export of services. For this reason, there are no corresponding (and thus comparable) figures available for 2013.


Export of services provide half of 'export wealth'

Although export of services represent around a quarter of the total value of Dutch export of goods and services (by turnover), their contribution to GDP is significantly higher. According to research by the Dutch Central Bank (DNB), the services sector provides approximately 50% of the added value of exports 'Made

In 2015, a total of 15 million foreign tourists visited the Netherlands. This was 7% more than in 2014 (NBTC Holland Marketing, 2016). The largest number of tourists last year came from Germany (over 4.2 million (+10%)). Belgium came second with nearly 2 million tourists. The United Kingdom dropped one place from 2014 and was third with over 1.9 million visitors. Out of the total number of tourists, 80% came from Europe. The number of Chinese visiting the Netherlands rose most spectacularly in 2015. In 2015 there were 300,000 Chinese visitors, up 21% from 2014. For the first time since 2006 there were again more than 1 million tourists from the United States. The number of Russian tourists to the Netherlands was 24% lower.
2. Expectations for exports

Confidence indicators

Leading indicators give a mixed picture of expected economic development. The CBS Exports Radar of Statistics Netherlands for April 2016 points to export conditions that are slightly less favourable than in the past few months (see https://www.cbs.nl/nl-nl/visualisaties/exportradar). The DNB Business Cycle indicator that runs to the end of July 2016 also indicates a weakening of economic activity (see http://www.dnb.nl/en/onderzoek-2/dnb238497.jsp). In contrast, the NEVI index of the Dutch Association for Purchasing Management indicates growing industrial activity in the Netherlands, with the index in April being at 52.6, and thus above 50, just as in the previous months. This implies growth (under 50 indicates shrinking economic activity). The confidence of manufacturers also grew again in the last months. According to Statistics Netherlands, in April producer confidence achieved its highest level in five years (Figure 2). The confidence indicator rose from 3.9 in March to 4.7 in April. Statistics Netherlands says that this rise is due to the fact that manufacturers have become more positive about their order books and

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9 According to the DNB, the share of the added value does not show much change year-on-year, so it is very likely that the share of exports of services in the added value of Made-in-Holland exports was also roughly 50% in 2015.
The CPB is cautiously optimistic regarding the Dutch economy, although the rate of growth of total Dutch exports is slowing. For 2016 the CPB forecasts that the volume of exports of goods and services will grow by 3.9% (compared with 2015) (Table 3), against a 4.4% rise in volume in 2015. Growth in Dutch exports of goods and services will accelerate slightly in 2017 to 4.2%.

Underlying this, growth in re-exports is seen to be edging up in 2016 and 2017 (Table 3), though the expected rise in both years will be below the long-term average growth level. Growth in export of services will weaken in 2016 and 2017. The estimated rise for both years will also be under the long-term average
growth level. In contrast, prospects for growth in domestically produced goods are positive: expectations are that in 2016 as well as in 2017 the rate of growth will be considerably higher than the long-term average. It should be noted that this last forecast is not shown in the figures in Table 3, but it can be deduced from the growth estimates for Made-in-Holland export of goods and services, and the specific estimate for export of services.

Table 3 – Performance and estimates (% volume changes compared with previous year)

<table>
<thead>
<tr>
<th></th>
<th>Average annual change</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1996-2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dutch GDP</td>
<td>1.9</td>
<td>1.0</td>
<td>1.9</td>
<td>1.8</td>
<td>2</td>
</tr>
<tr>
<td>Relevant world trade (goods &amp; services)</td>
<td>4.5</td>
<td>3.9</td>
<td>3.6</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Total export of goods &amp; services (excluding energy)</td>
<td>4.8</td>
<td>5.3</td>
<td>4.4</td>
<td>3.9</td>
<td>4.2</td>
</tr>
<tr>
<td>- Re-exports</td>
<td>8.1</td>
<td>6.5</td>
<td>3.0</td>
<td>4.7</td>
<td>5.2</td>
</tr>
<tr>
<td>- Export of domestically produced goods &amp; services (Made in Holland)</td>
<td>2.3</td>
<td>2.5</td>
<td>3.4</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>- Export of domestically produced services (Made in Holland)</td>
<td>4.8</td>
<td>7.5</td>
<td>8.1</td>
<td>3.2</td>
<td>3.1</td>
</tr>
</tbody>
</table>


Although the macro export estimates are positive, opportunities for Dutch exporters vary from one region to the other, according to EIU estimates (Table C in the Appendices). Economic growth is slowing in many emerging economies, often due to the declining growth rate of the Chinese economy. Various emerging markets are seeing their economic growth declining due to the fall in demand for their commodities as well as the lower prices paid for them. The same applies to oil-producing countries (Kazakhstan, Saudi Arabia, 

10 The added value of this for the Dutch economy, that is to say the contribution to GDP, is considerably higher than the added value of re-exports.
Venezuela). At the same time, a number of emerging economies are continuing to grow strongly (India, Indonesia, the Philippines) or are experiencing a return to growth (Argentina, Iran). In addition, economic growth is accelerating in a number of OECD Member States (Canada, Chili, Finland, Israel, Mexico and Switzerland).

The reasons for uncertainty surrounding the estimates for the Dutch economy lie predominantly in the international situation. The risks are overwhelmingly downwards, according to the CPB. Continuing volatility on the financial markets as a reaction to uncertainty harms the investment climate, given uncertain yields. The possibility of a Brexit, for example, has a negative impact on the economies of Europe and of the Netherlands, according to the OECD\textsuperscript{11}.

\textit{Niches and essential do’s and don’ts}

It is important to be aware that in shrinking sales markets there can still be room for growth in sales for Dutch exporters. The opposite is also true. Sales of specific Dutch goods can still decline in export markets that are growing strongly. It depends a great deal on the sector in which a Dutch exporter is active. In addition, actual sales development also depends on the individual competitive position of Dutch exporters. This can involve the price/quality ratio and the extent in which the exporter is familiar with the do's and don’ts of doing business in a particular locality. Ben Mandemakers (no. 31 in Quote 500 for 2015) states about doing business in the German market: “I went about things there [in Germany] with great enthusiasm, the way we do it here. But after six months I thought: we’re not doing it right. Now, when I’m across the border, I force myself to be half German. We have to do it their way” (\textit{Quote}, issue 375, spring 2016).

\textsuperscript{11} According to the OECD, the GDP of the other EU Member States will be 1% lower structurally if the UK leaves the EU than without a Brexit, see \url{http://www.volkskrant.nl/buitenland/oeso-brexit-kost-britse-gezinnen-maandsalaris-a4290665/}. This corresponds to an annual loss of wealth of 120 billion euros.