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Impact financial condtions on NL

The impact of deteriorating financial conditions on the Dutch economy

By:

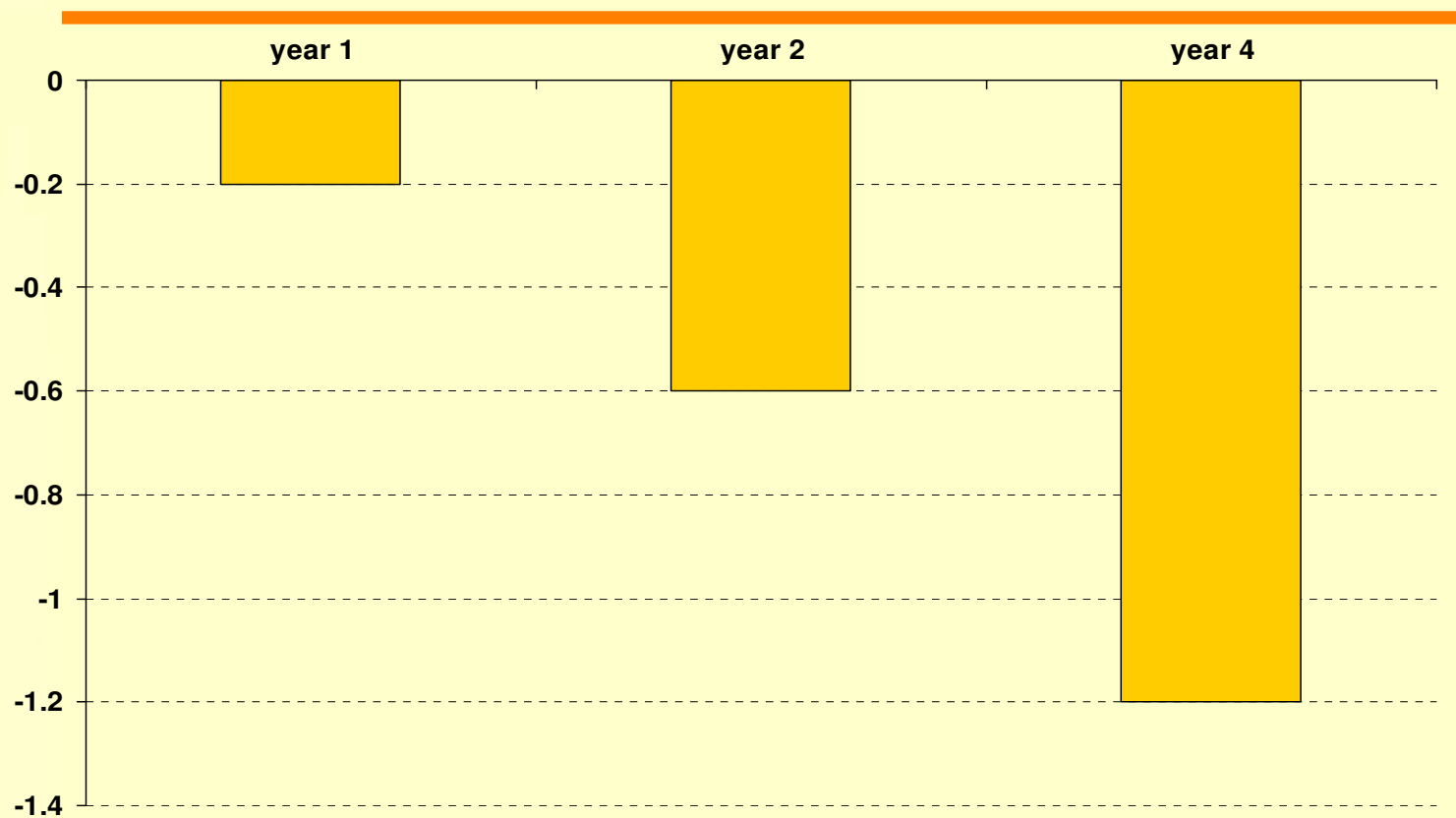
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Paris
27 Oct 2008

Impact on Dutch GDP of 1%-point rise in the capital market interest rate

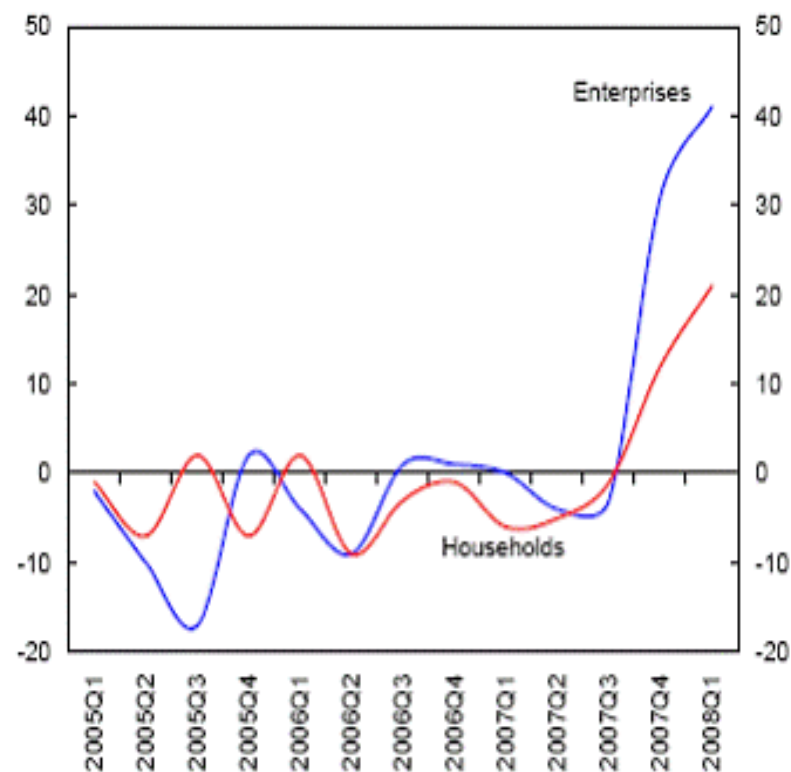


■ Impact in the short term minor but ...

The impact of deteriorating financial conditions on the Dutch economy

- ... higher capital costs are not the only impact of the current credit crisis.
- Credit standards also tighter.
- Taking into account judgmentally by add-factoring investment equations

Figure 6. Changes in Credit Standards for Loans to Enterprises and Households, 2005–08 1/



Sources: Haver Analytics; and European Central Bank.

1/ Net percentage of banks reporting tightening of credit standards. Household loans refer to mortgage loans only.

Moreover, and more importantly:

- **For a small open economy without major financial imbalances, the main transmission channel concerning the credit crisis is the trade channel.**
- Thus, we are closely monitoring (the impact of) the world economy
 1. CPB world release assessment indicator
 2. CPB monthly world trade monitor
 3. Indicator-based world trade forecasts
 4. Foreign leading indicators (IFO-index, OECD CLI EU) as indicator in our indicator-based GDP forecast for the Netherlands.

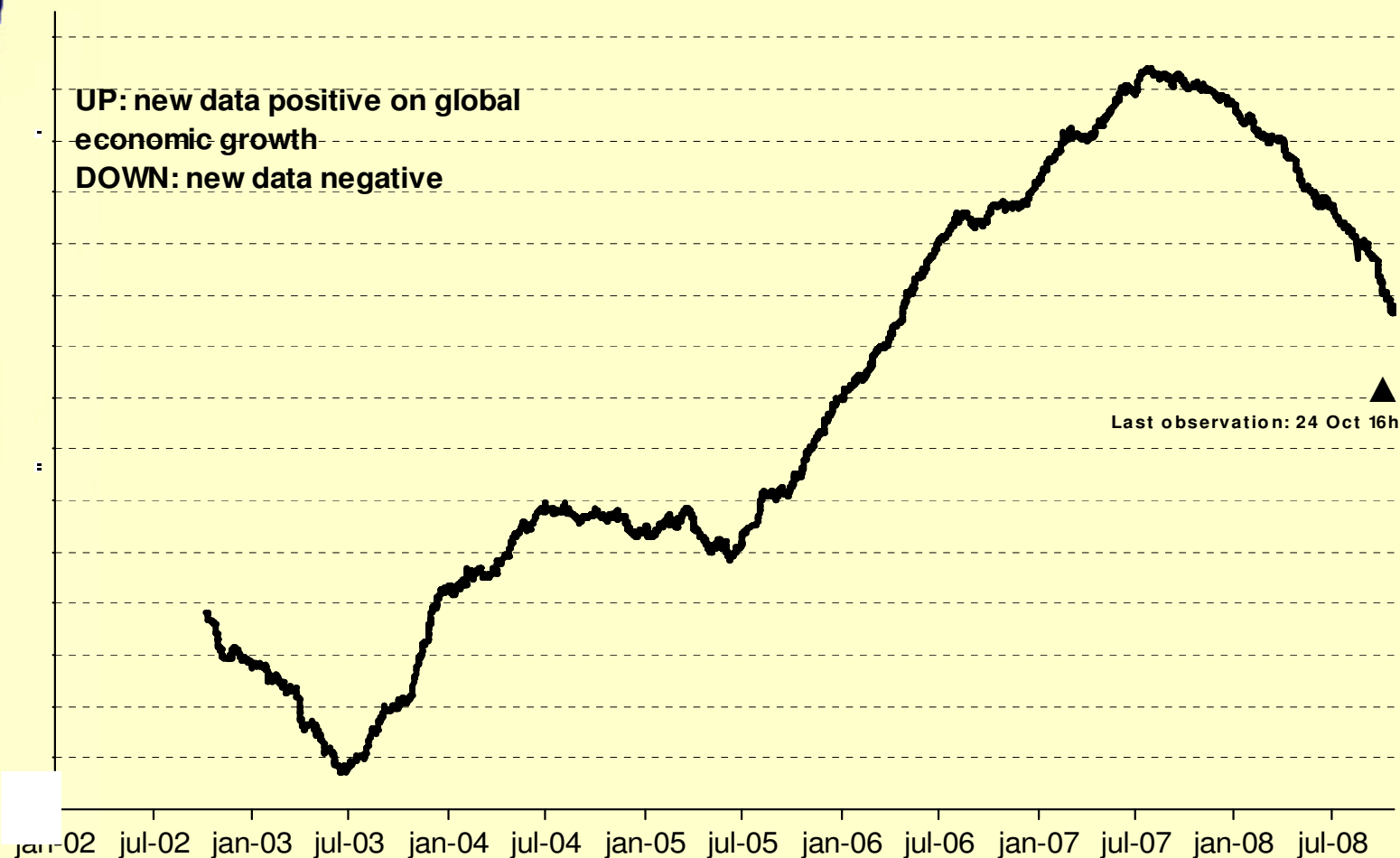
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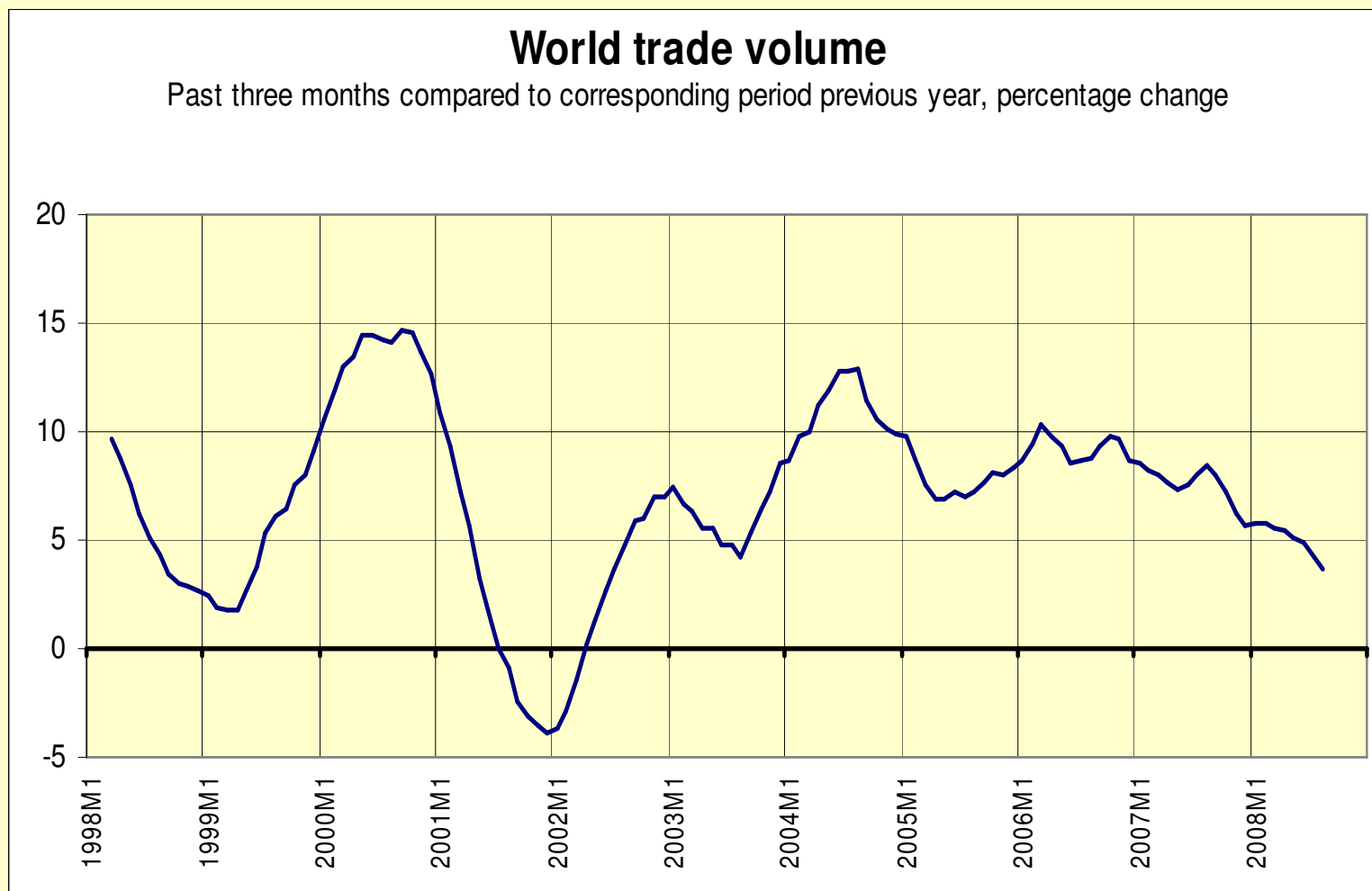
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1. World release assessment indicator

CPB World release assessment indicator

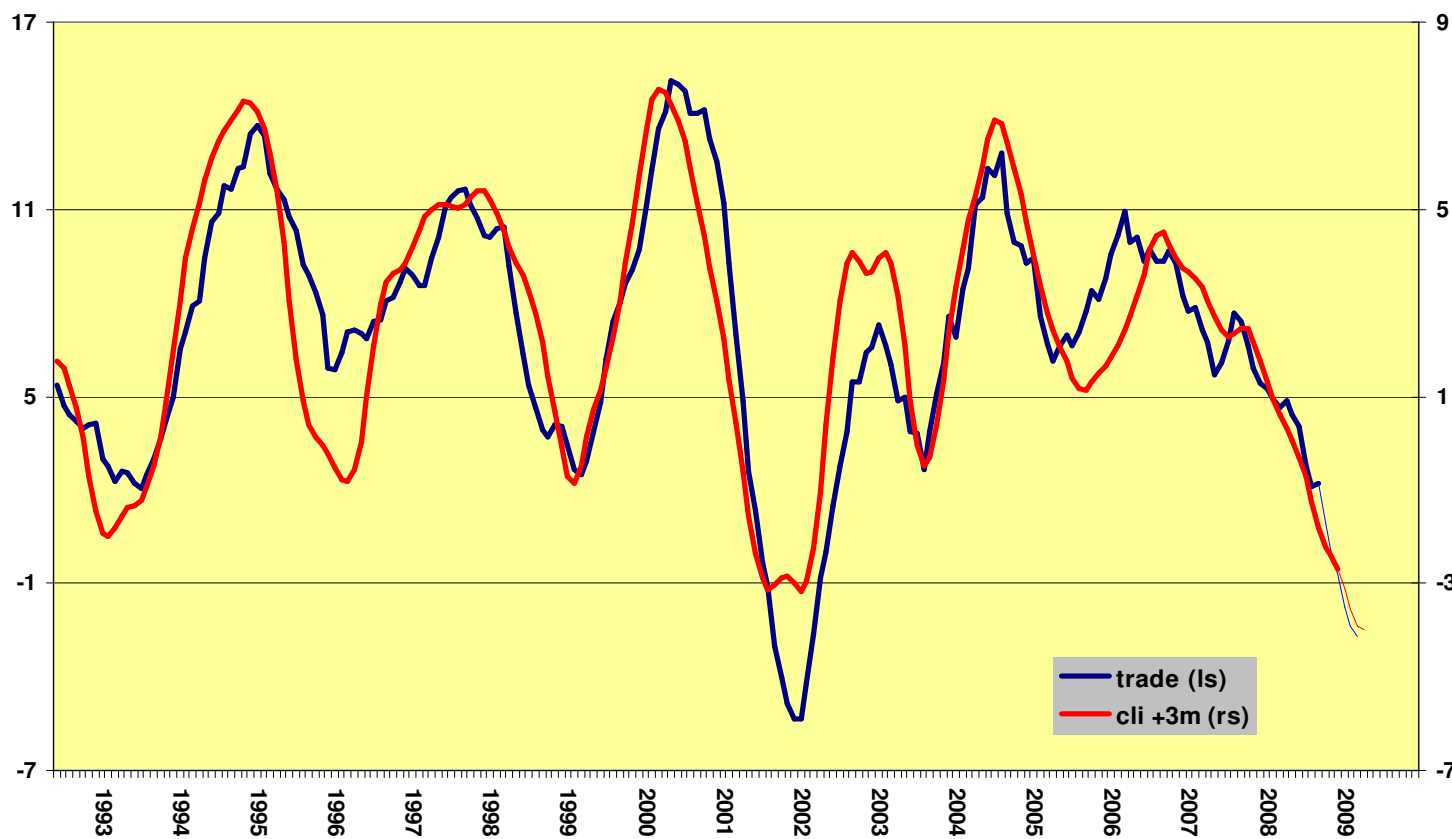


2. CPB monthly trade monitor

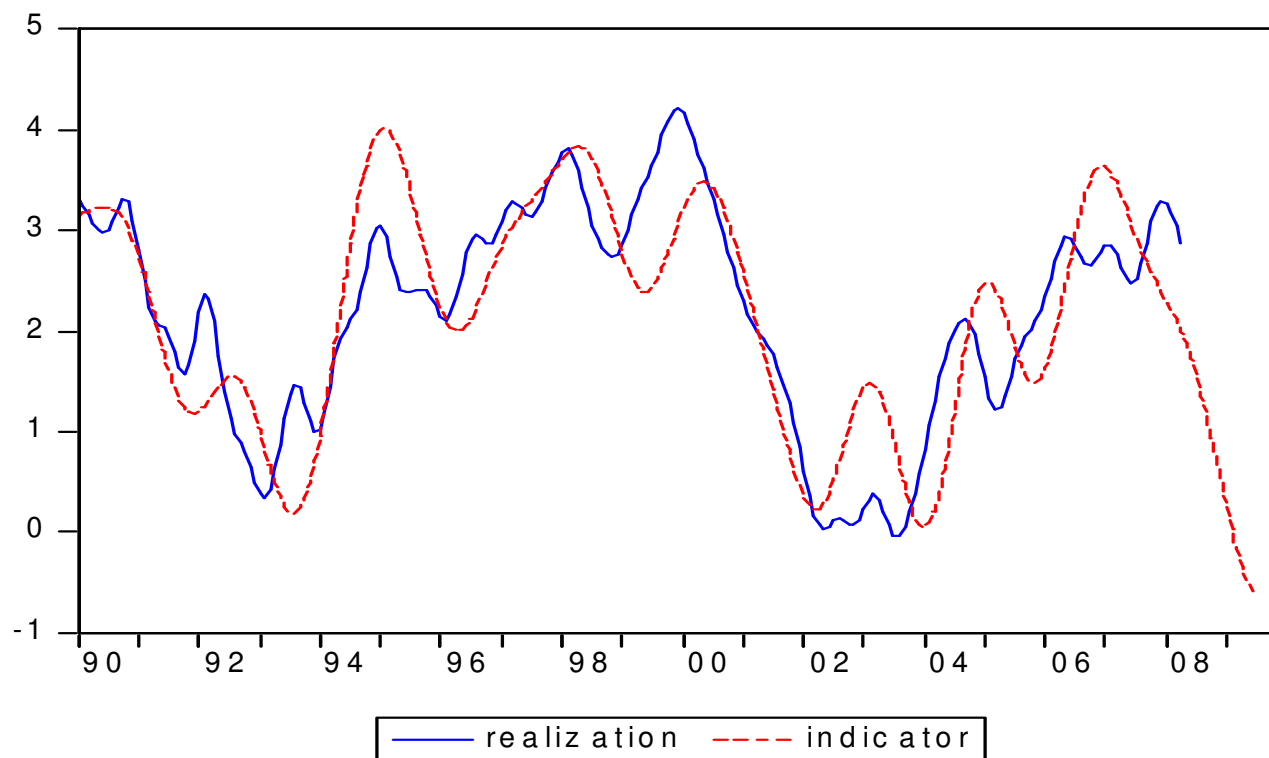


3. Indicator-based world trade forecast

OECD trend-restored composite leading indicators and merchandise trade volumes of 34 leading nations covering 78% of world trade (annual percentage changes of 3mma)

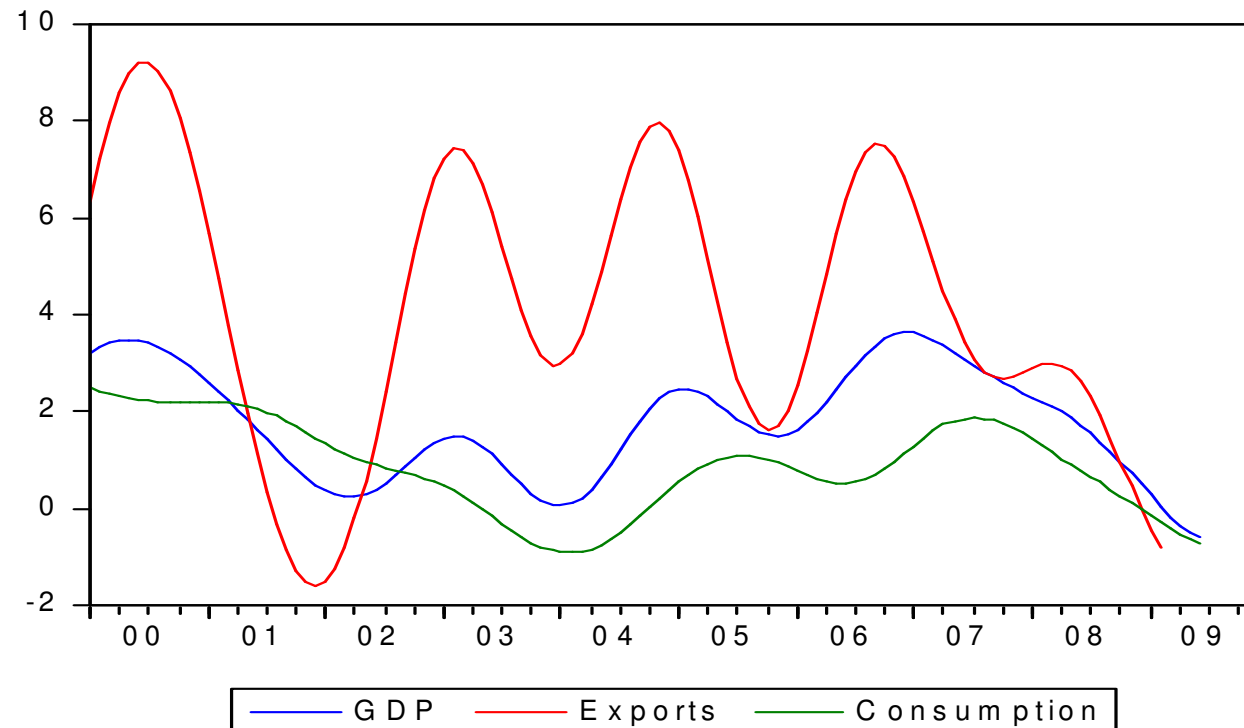


4. Indicator-based GDP forecast for the Netherlands



- Based on Dutch and foreign leading indicators:
 - ▶ **Dutch GDP growth falls below zero early 2009.**

4. Indicator-based GDP forecast for the Netherlands



- We make indicator-based forecasts of the various expenditure categories (bottom-up approach).

Annex

- Dutch credit growth to enterprises is still strong (as elsewhere in the euro area).

