

Navigator

Now, next and how for business

Netherlands

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Rising downside risks for buoyant Dutch trade

The Netherlands has one of the largest trade surpluses in the world, but the German industrial slowdown and Brexit uncertainty present near-term risks to the outlook. While the manufacturing PMI still points to robust growth in the export-reliant industrial sector, new orders are trending downwards, consistent with rising uncertainty.

What is happening now

Dutch export sentiment still strongly above Eurozone average

The Dutch economy broadly followed the Eurozone trend of stellar, above-trend growth in H2 2017 followed by a sharp slowdown in Q1 2018. Although activity has since stabilised, the moderation of growth in German factory output is likely to continue to have knock-on effects for Dutch industry, as Germany is the largest importer of Dutch manufactured goods. And with the UK being the Netherlands' fourth largest trading partner, uncertainty around Brexit presents additional downside risks to the outlook.

Nevertheless, the latest HSBC Navigator survey shows that 88% of Dutch firms have a positive view of the outlook for international trade, which is higher than the 78% global average. According to the survey, the optimism of respondents mainly reflects a positive view of the global and domestic economic environment. Germany, already the largest trading partner for Dutch firms, was most frequently identified as a key market for business expansion (Fig. 1). Overall, 87% of the surveyed Dutch firms are confident that they will succeed in the current international trading environment, a notch more than the global average of 81%.

Fig. 1: Which are the top 3 markets where your business will look to expand in the next 3-5 years? (Share of respondents identifying each market)



Source: TNS Kantar

How your business can respond

- ◆ Ensure you understand the implications of Brexit for your value chain. Identify the issues that need addressing now and those that can wait.
- ◆ Ensure strong investment in upskilling and technology to maintain competitiveness and avoid labour shortages.

Policy Developments

Dutch firms less worried about protectionism

Only 45% of Dutch firms believe that foreign governments are becoming more protective of their domestic businesses, compared to 63% globally. This may reflect the relative importance of European trading partners. More broadly, views on the impact of regulations were also diverse amongst Dutch respondents. While 30% believe they increase the cost of doing business, 22% believe they increase competitiveness.

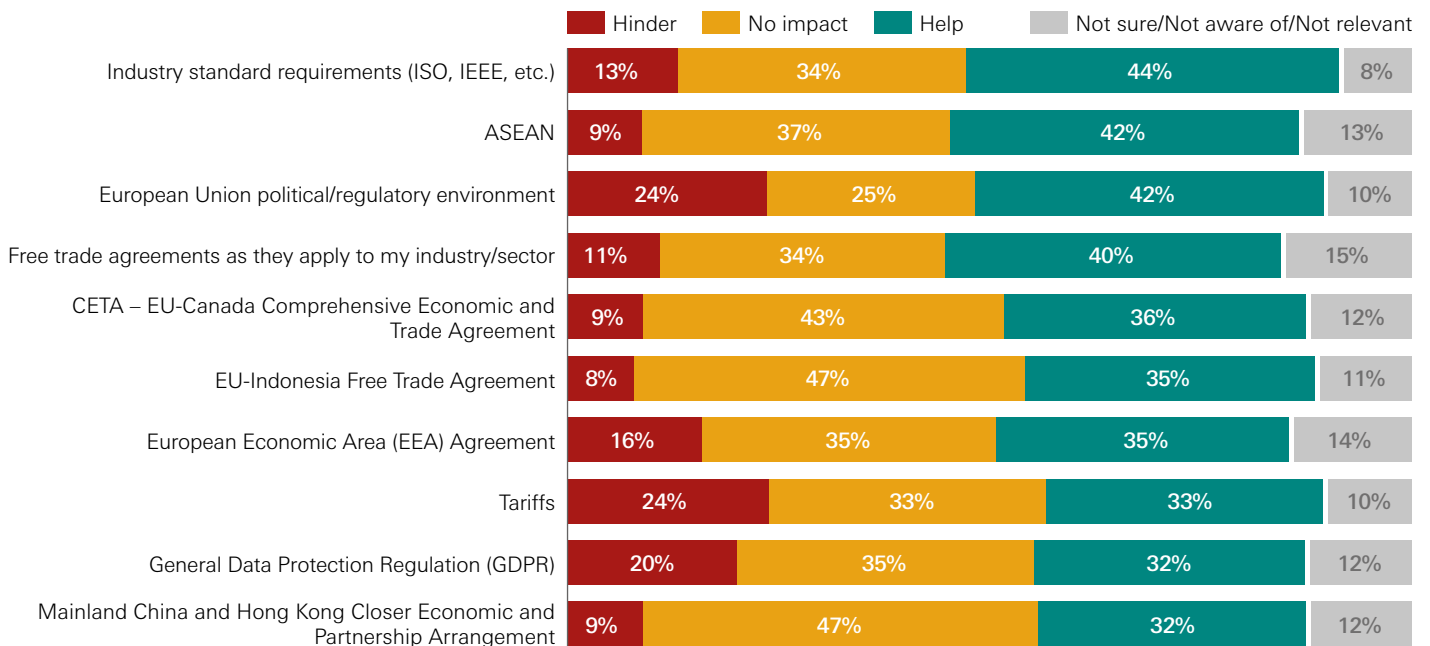
Dutch firms generally expect to benefit from relevant trade policy developments over the next three years (Fig. 2). Industry standard requirements were most frequently cited as helping business prospects, underscoring the role of these standards in facilitating trade through the removal of uncertainty in the selection of products and services.

Notably, almost a quarter (24%) of respondents expect the European Union’s political and regulatory environment to be a hindrance to business over the next three years. This may reflect developments around Brexit. On this subject, 20% of businesses think that Brexit will make it more expensive to conduct business, on par with the 21% average for the EU. In addition, only a quarter (24%) of Dutch respondents reported that they had not yet taken actions to respond to Brexit.

How your business can respond

- ◆ Improve your sustainability reporting by identifying KPIs which are directly relevant to your strategy. Explain why they are relevant and how they are defined.
- ◆ Examine how the use of new datasets can inform strategy, decision making and business process improvement.

Fig. 2: Relevance and impact of policy developments in the next 3 years



Source: TNS Kantar

*May not total 100% due to rounding

What is happening next for business strategy

Data protection rules highlighted as a concern

Growing market share was identified by almost a quarter (23%) of Dutch respondents as a key focus for company direction in the near-term (Fig. 3). Other frequently-cited actions driving company strategies included and increased emphasis on long-term performance and investment in upskilling the workforce.

The use of data in business is becoming an important enabler for growth but the HSBC Navigator survey suggests that the share of Dutch firms using data to optimise performance lags slightly behind the global average (Fig. 4). Overall, 71% of Dutch firms reported using data and analytics, compared to 75% globally. Data sets most commonly used by Dutch firms included operational (44% of respondents), transactional (35%) and market data (31%).

Fig. 3: Top 3 actions for future company direction

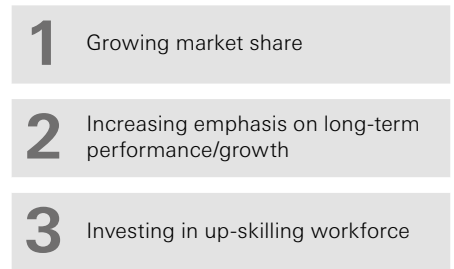
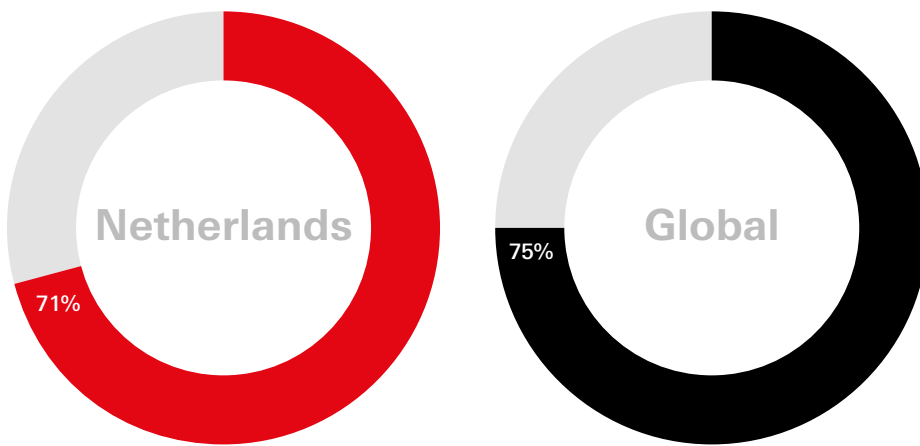


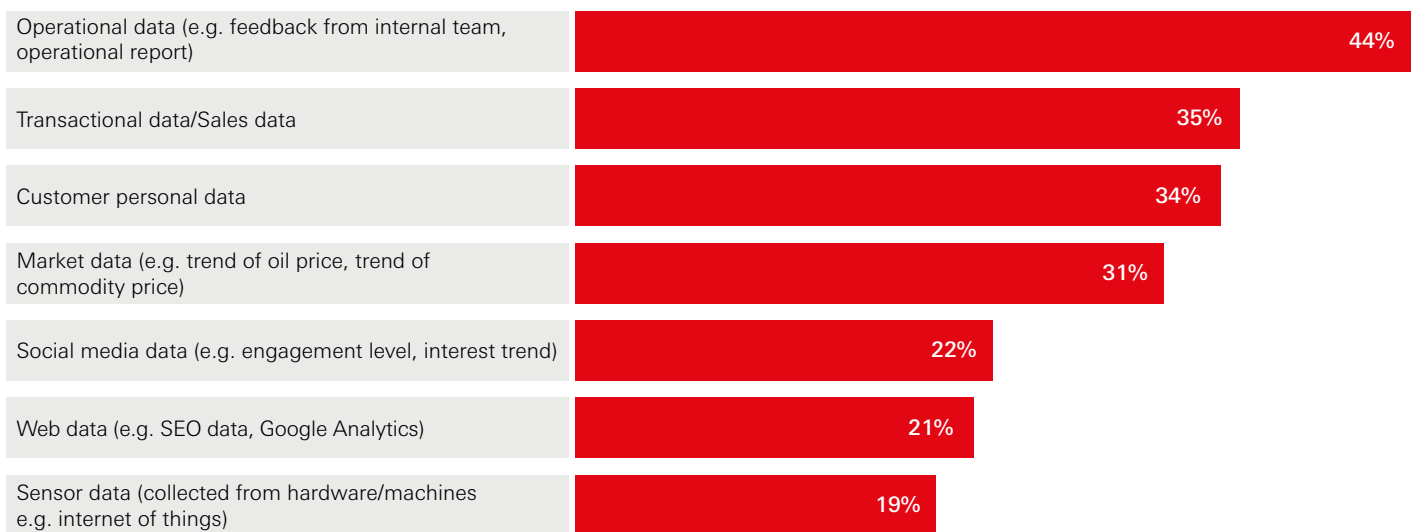
Fig. 4: Using data in business

Share of respondent firms using data to optimise performance



Source: TNS Kantar

Data sets currently being used



Source: TNS Kantar

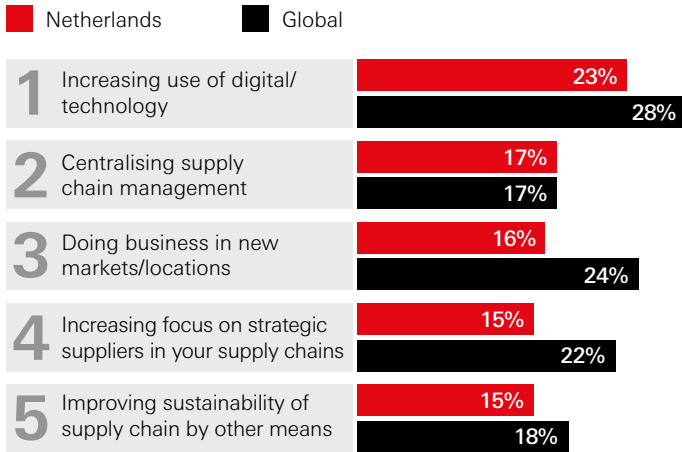
Amongst new innovations, Dutch respondents most commonly identified the 'Internet of Things' as representing an opportunity for their business. Increased regulations around data privacy and protection were most frequently identified by respondents as a key concern. Worryingly, almost a fifth (19%) of respondents reported that they are only just getting ready to comply with data protection regulations such as GDPR, suggesting they may be putting themselves at risk of hefty fines for non-compliance.

Technology is a key focus for supply chain improvements

Increasing use of technology was the planned change to supply chains most frequently identified by respondents in the goods sector (Fig. 5), with centralisation of supply chain management in second place. Cost reduction and increasing profit were the objectives of planned changes to the supply chain most frequently identified.

Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

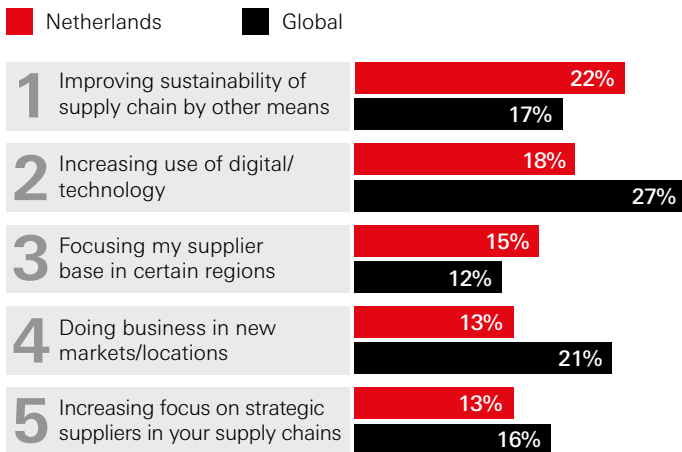
Top 5 objectives behind the changes



The focus of respondents in the services sector was somewhat different, with improving the sustainability of the supply chain the most frequently identified action, while increased use of technology ranked second (Fig. 6). Key objectives of supply chain changes included cost reduction and access to more information.

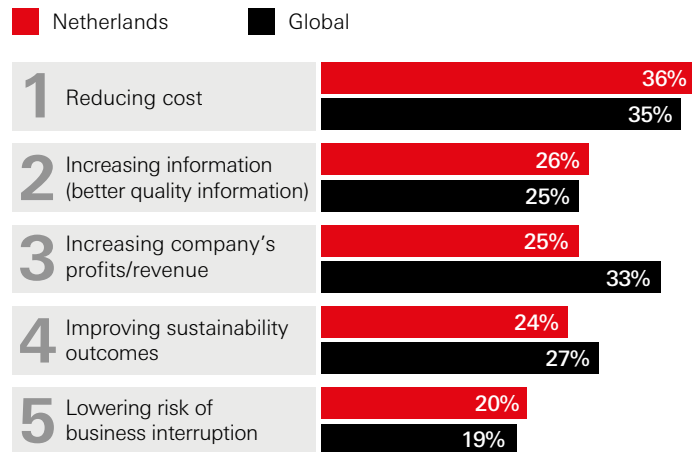
Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes



In general, environmental and ethical sustainability appears to be important for Dutch respondents across both the goods and services sectors. Only 18% of companies claimed that sustainability was not a focus.

About HSBC Navigator Netherlands

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 8,650 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 34 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in the Netherlands. Global results are based on an average of the 34 markets (using weights based on each market's share of world trade). The survey was conducted over a six-week period from July to September 2018.

Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

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Issued by HSBC Bank plc
8 Canada Square
London E14 5HQ
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