Focus

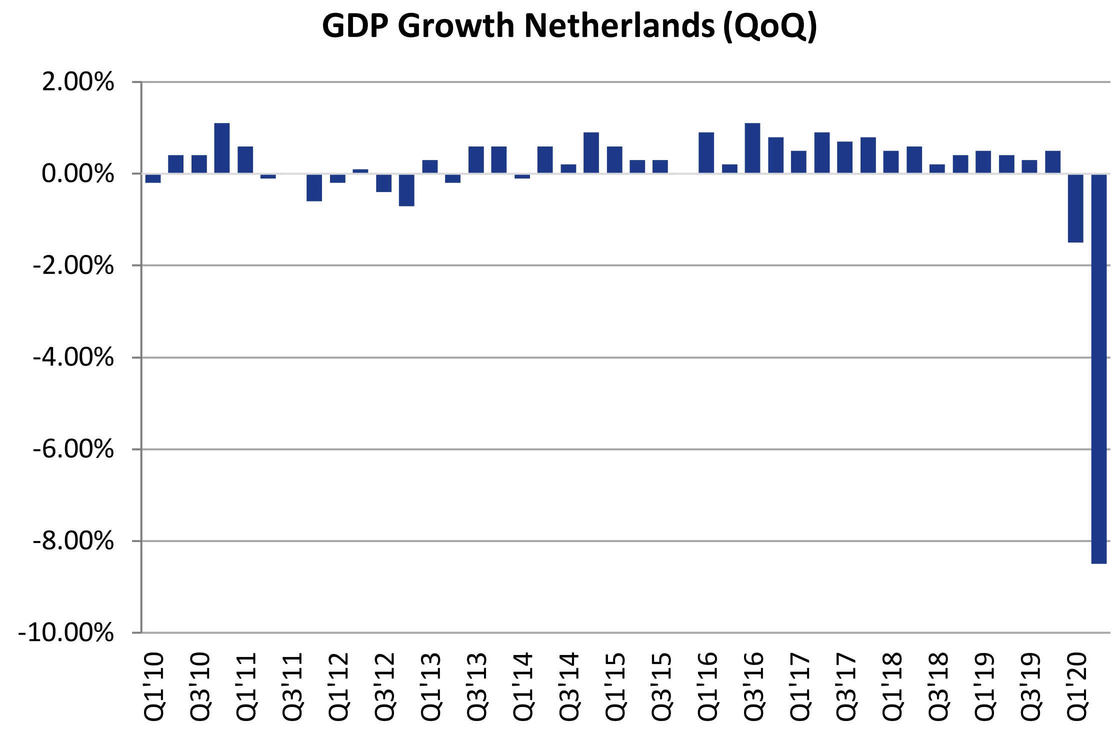
To monitor the effects of corona on economic development, GDP (gross domestic product) is often used. In the Netherlands, the impact of COVID-19 is also becoming visible. In August, Statistics Netherlands (CBS) reported that the Dutch economy contracted for the second quarter in a row, as GDP fell by 8.5%. In the first quarter of 2020 GDP fell by 1.5%. But what does GDP measure and to what extent does GDP provide full insight into a country's economic health?

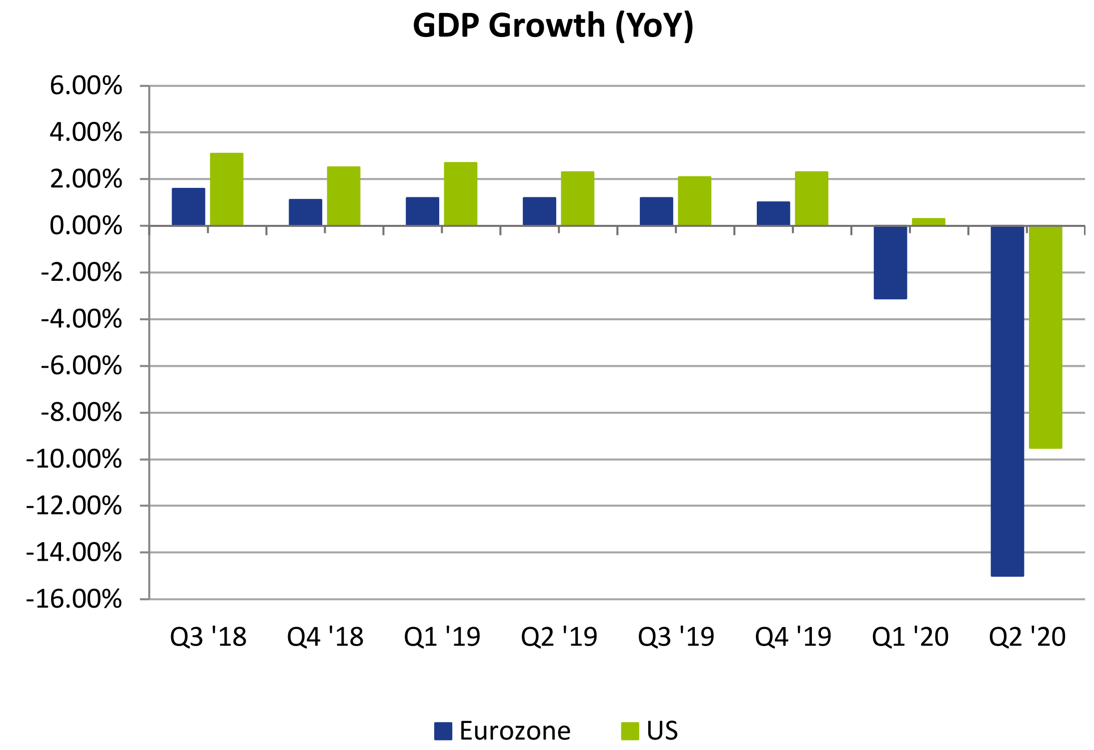
Statistics Netherlands (CBS) defines GDP as the added value of all final goods and services produced in a country. It measures economic activity in a country. GDP can be calculated in three different ways, using national production, expenditures, or incomes. An increase in GDP is generally seen as a sign of growth, where a decline indicates economic contraction.

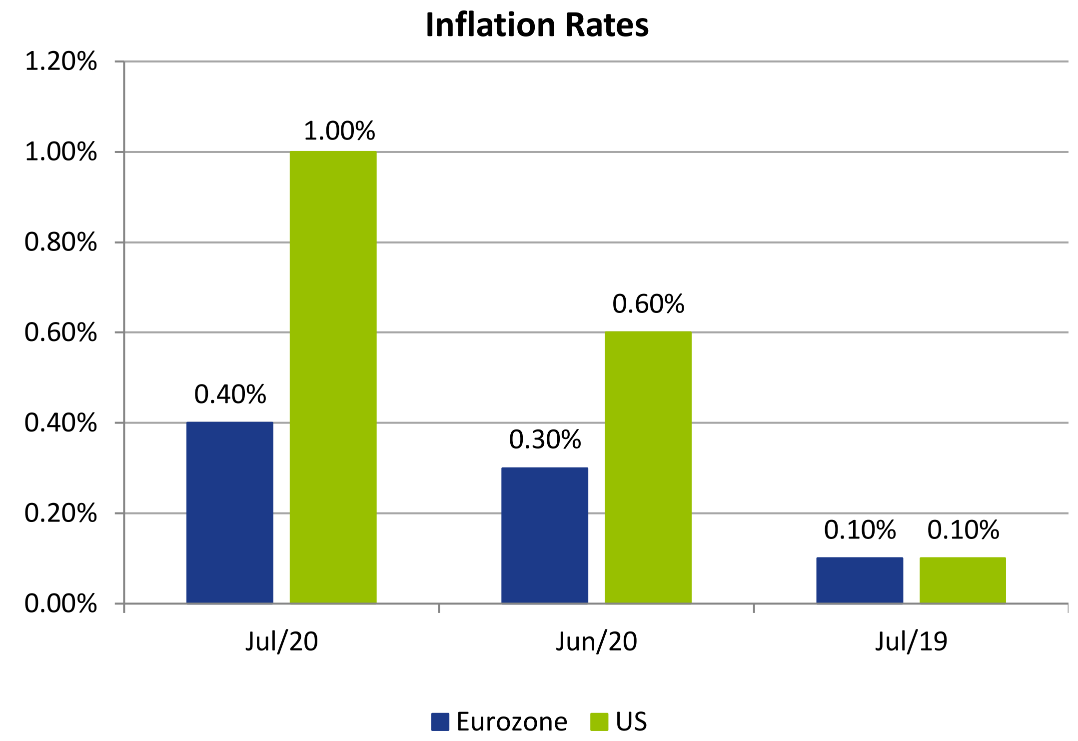
GDP is one of the most important indicators in economics. However, there are also experts criticizing the use of GDP as an indicator of welfare or development. They argue that many elements of economic value are ignored in the calculation of GDP. For example, investments in capital are included, but depreciations are not. This could create a distorted picture.

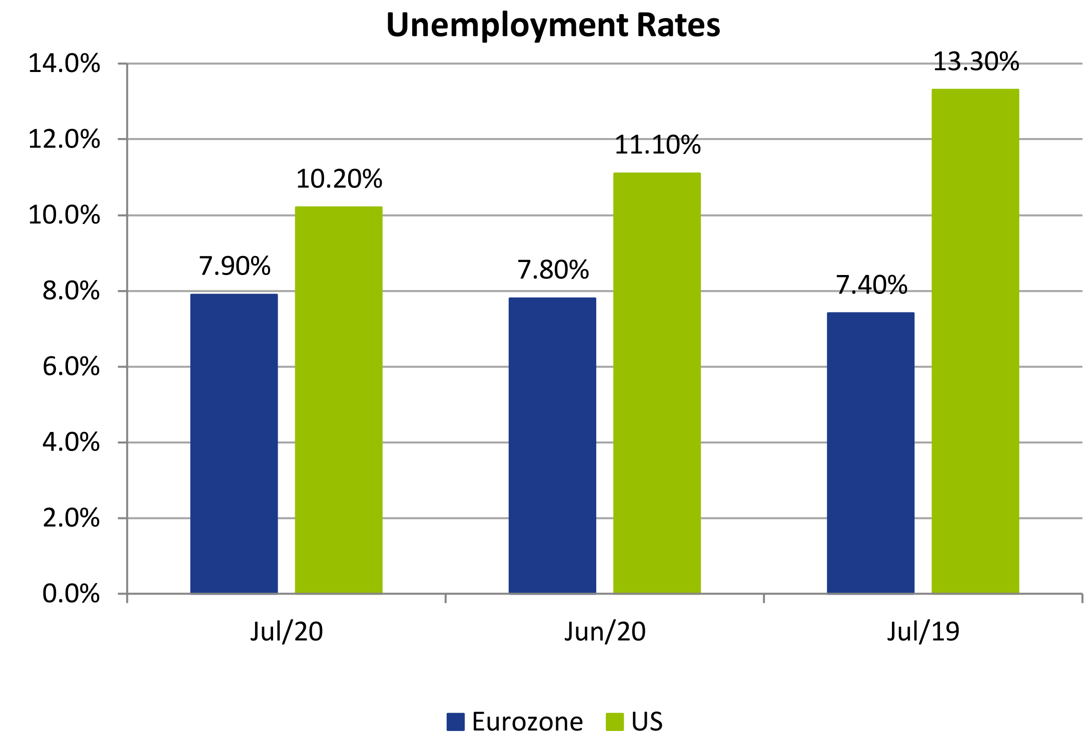
In addition, GDP only measures market production. Non-market transactions, which do have economic value, are not considered. This includes volunteering, but also the upcoming digital economy, in which "free" services are considered normal. Furthermore, GDP does not consider the emerging sharing economy and factors like income inequality and (un)employment.

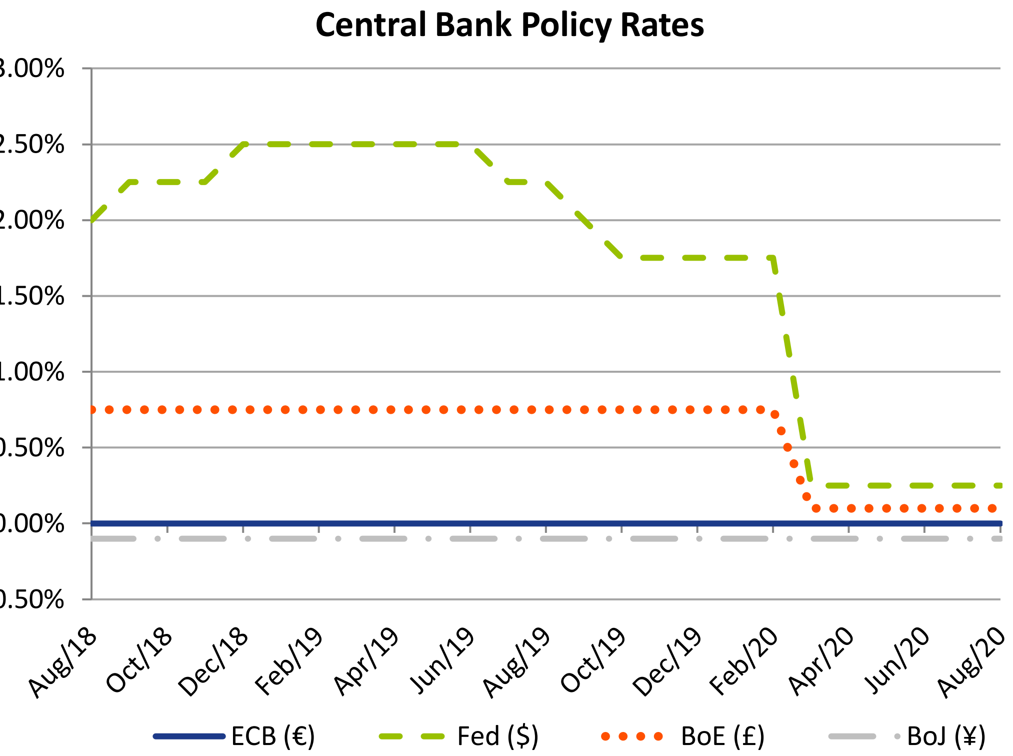
As a result, GDP is not a perfect and comprehensive measure for economic health. It is therefore important to understand its limitations and when using GDP, for example in research or as a macro-economic indicator, some nuance is required. Nevertheless, when it is combined with other economic indicators, like sustainable national income (DNI) or the broad welfare index (BWI), it can possibly provide different insights into a country's economic health.











Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa2	AA-
Russia	BBB-	Baa3	BBB
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

Review & preview

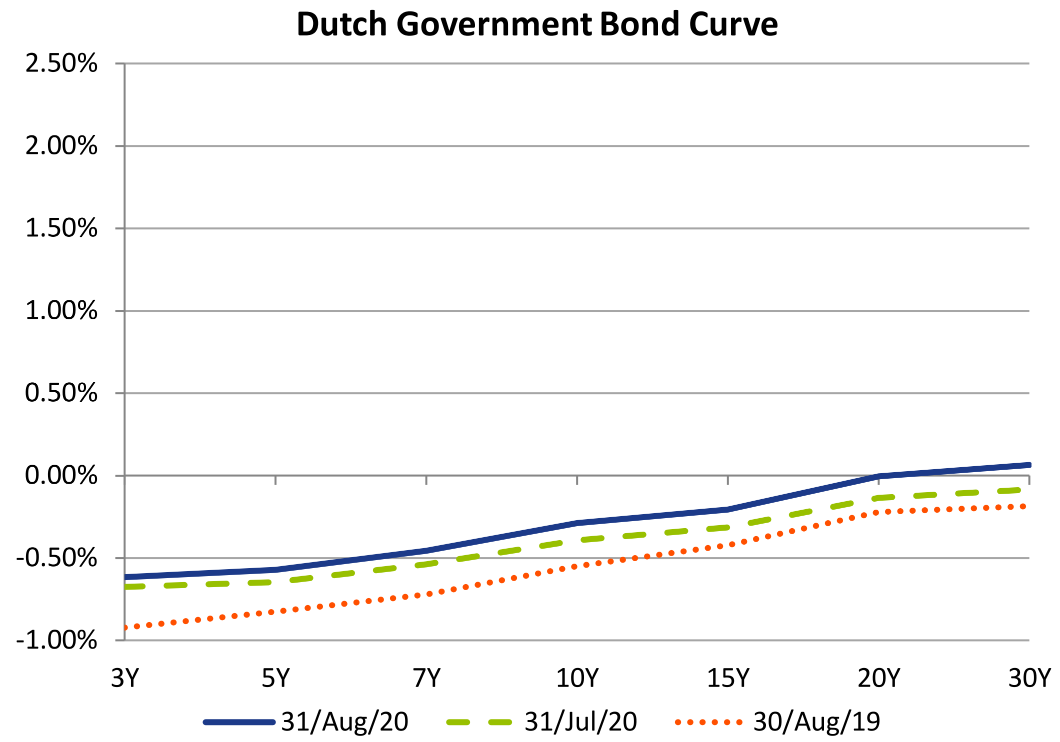
Many economies have shown historical downturns in the second quarter of 2020. The contractions are mainly a result of the corona crisis. The United States (US) suffered one of the largest economic declines ever recorded. Based on a second estimate, the U.S. government reported that the decline in GDP in the second quarter is estimated at 31.7%. According to figures provided by the Japanese government, the Japanese economy contracted by 7.8% compared to the previous quarter. However, the economic downturn in Japan is less significant than in many other countries, due to its less restrictive corona measures. China was one of the few countries showing economic growth in the second quarter of 2020. According to figures published by China, GDP grew by 11.5% compared to the first three months of 2020.

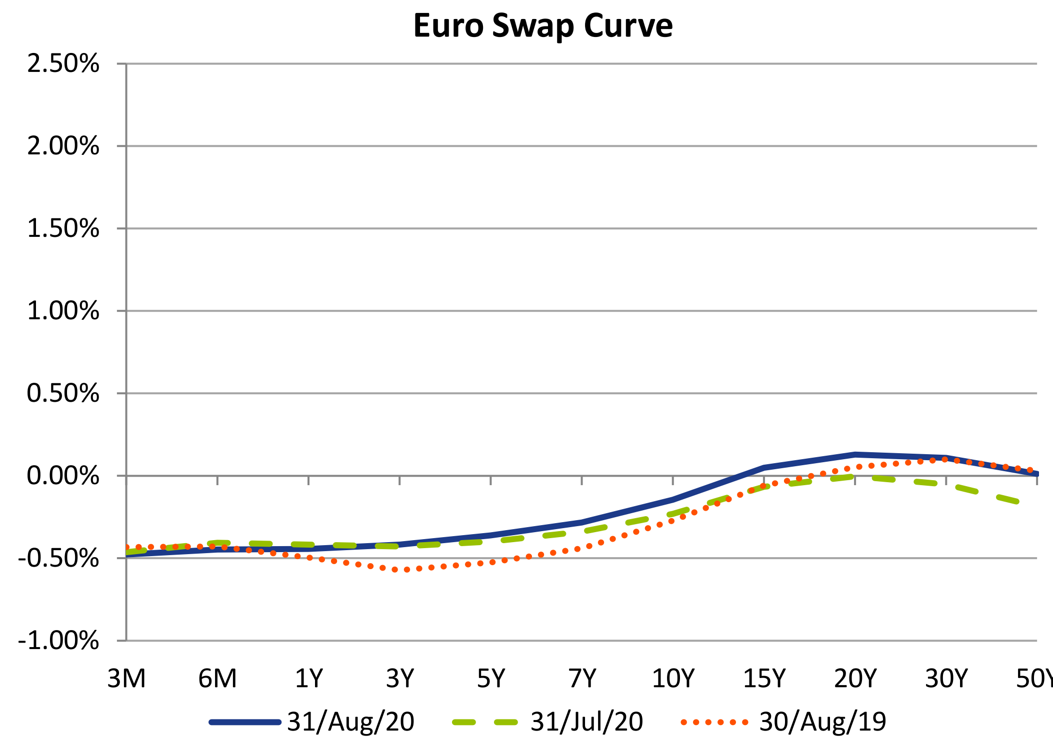
At the beginning of last month, the gold price for a troy ounce (31.1 grams) exceeded the record of 2011 and rose above USD 2,000. By comparison, in March the price of gold was still less than USD 1,500. The large increase is a result of the uncertain times caused by the corona crisis. In 2011, the record price of gold of was set at USD 1,921. Gold is traditionally seen as a 'safe haven' for investors. This is because gold is a relatively stable (and therefore a safe) investment in times of decreasing or strongly fluctuating stock market prices. In the week after the new record high, prices dropped back towards USD 1,900.

In August, the Netherlands Bureau for Economic Policy Analysis (CPB) released its forecasts for the Dutch economy for 2020 and 2021. According to the CPB, the economic impact of the corona crisis on the Dutch economy is slightly less than previously estimated. The economy will grow again from the third quarter onwards. The total decline for 2020 will probably be limited to 5.1% compared to the 6.4% forecasted in June. Next year, the economy is expected to grow by 3.2%. CPB has also analysed a scenario with a second lockdown. If a second lockdown is needed, a contraction of 6.2% is expected in 2020 and a contraction of 3.2% in 2021.

Agenda

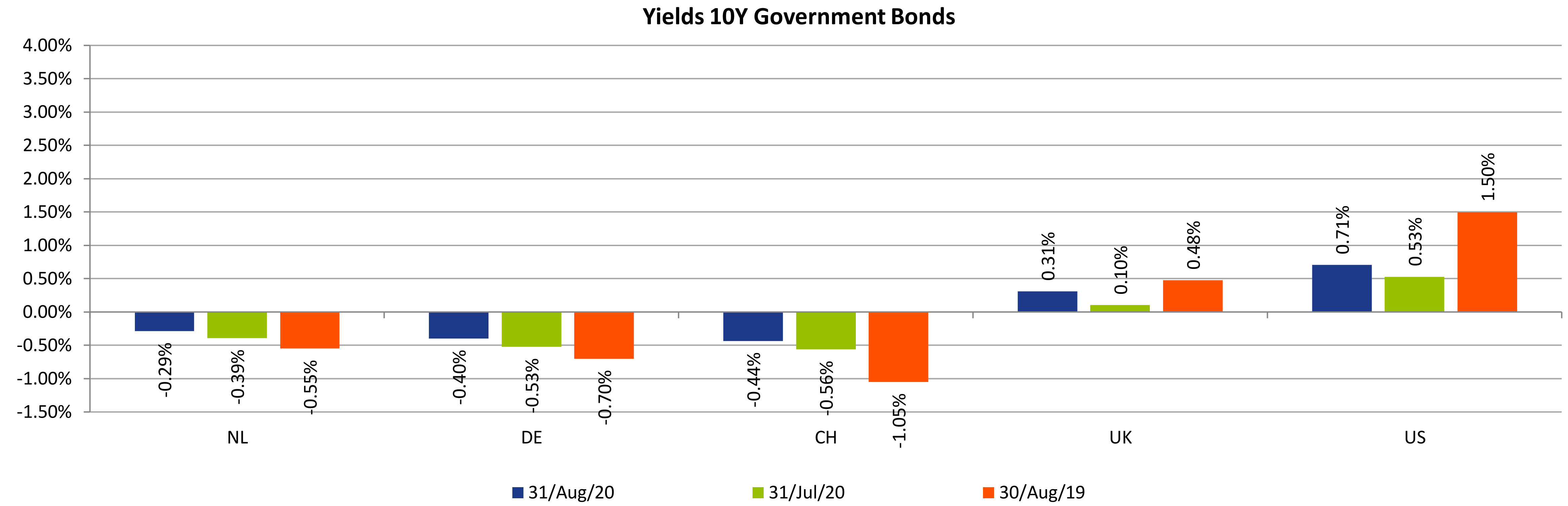
8 September:	Core inflation NL
11 September:	Core inflation US
16 September:	Core inflation UK
16 September:	BoJ interest rate decision
17 September:	BoE interest rate decision
23 September:	Economic growth NL





Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A1	A+
Credit Suisse Int.	A+	A1	A

Currencies	31/Aug/20	31/Jul/20	30/Aug/19
EUR/USD	1.194	1.178	1.098
EUR/GBP	0.893	0.900	0.904
EUR/CHF	1.079	1.076	1.089
EUR/JPY	126.405	124.750	116.830
EUR/DKK	7.443	7.448	7.458
EUR/SEK	10.319	10.339	10.799
EUR/CAD	1.557	1.580	1.462
EUR/AUD	1.618	1.649	1.632
EUR/CNY	8.175	8.215	7.866



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