

Navigator

Now, next and how for business

Netherlands



Together we thrive

Overview

An eye firmly on the future

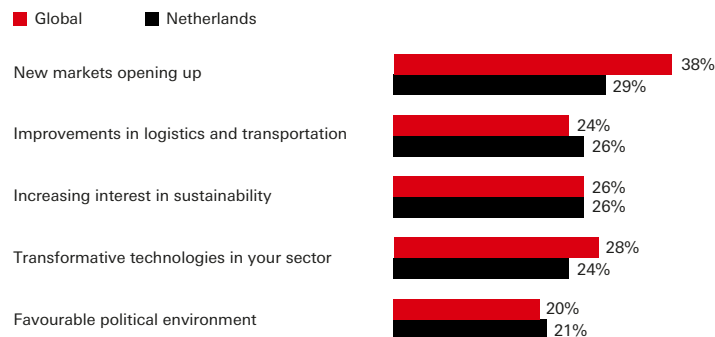
'Holland' is no more. The Netherlands' business community has backed the move to cast off remaining references to the ancient name, emphasising its open, forward-looking mood¹. The Dutch government is hailing a robust economy, with unspectacular but steady growth of 1.5% predicted for 2020². Overseas trade remains strong³ and UK investment in the Netherlands has soared in response to Brexit⁴.

State of play

New markets help to boost confidence

The Dutch business perspective is in harmony with the positive economic outlook. More than three-quarters of businesses in the Netherlands expect to grow over the next year. In the next five years, Dutch companies are slightly more cautious than their peers: 77% expect growth, compared to a 79% average in Europe and globally. The outlook for international trade is strong, with 83% predicting growth. Only a third of Dutch companies are expecting their business to change totally or substantially in the next five years, compared to half globally and 41% in Europe.

Key contributors to expectations of sales growth over the next year



What you need to know

- 1 High growth (15% or more) in the next year is predicted by more Dutch businesses (22%) than the European average (18%).
- 2 Two in five businesses are more optimistic about growth than a year ago.
- 3 Half of global businesses but just 36% of Dutch companies expect to go through radical change within five years.

What your business can do



Upgrade your tech. Digital investment is the most popular driver of a positive outlook for Dutch businesses.



Seek new markets. A growing number of Dutch companies are following this strategy.



Review your supply chain. Around a third of businesses see this as a way of reducing cost and getting closer to customers.

1 <https://www.telegraph.co.uk/news/2019/10/04/dutch-government-rebrands-country-netherlands-sever-holland/>
 2 <https://www.dutchnews.nl/news/2019/09/budget-leaks-dutch-economy-is-robust-but-growth-is-leveling-off/>
 3 <https://www.government.nl/documents/speeches/2019/09/09/speech-by-sigrid-kaag-minister-for-foreign-trade-and-development-cooperation-at-the-launch-of-the-statistics-netherlands-report-nederland-handelsland-the-netherlands-%E2%80%93-a-trading-nation-on-9-september-2019>
 4 <https://www.independent.co.uk/news/business/news/brexit-no-deal-uk-netherlands-company-relocation-a9080666.html>

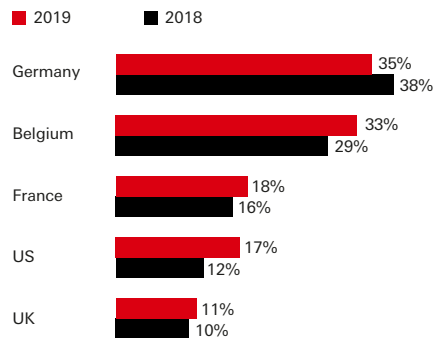
Trade outlook

US trade rises up companies' agenda

Europe remains by far the Netherlands' biggest source of international trade, with Germany and Belgium most prominent. However, the US is now nudging France for the position of third largest trading partner. Elsewhere, China has slipped in importance, contributing to a drop in the rating of APAC markets from 15% to 10% in the course of a year. This trend may reverse over the medium term, with 15% planning expansion in Asia-Pacific (APAC) in three to five years. Dutch businesses see that region as offering access to a host of new suppliers and partners, while the prime reason for expansion in Europe is the availability of good partnership opportunities.

Dutch sentiment about the international trade outlook has remained steady over the past one to two years. Looking ahead, confidence for overseas trade is on par with overall growth and Dutch businesses view trade as a force for good. They believe over the next five years that international trade will drive innovation (71%), support employment (68%) and improve efficiency (67%) – figures that are below the global average.

Current top trading partners



What you need to know

- 1
- 2
- 3

71% of Dutch international trade is with European markets.

Europe (62%), North America (16%) and APAC (15%) are the top investment targets for the next three to five years.

Lapsed trade agreements and higher labour costs have contributed to Dutch businesses cutting trade with some markets.

What your business can do



Look for international partners at home: a third of foreign businesses coming to the Netherlands are drawn by partnership potential.



Consider growth markets in APAC. 47% of Dutch businesses trading there see proven customer demand.



Increase the use of digital/technology in your supply chain. A growing number of companies are pursuing this efficiency strategy.

Protectionism and geopolitics

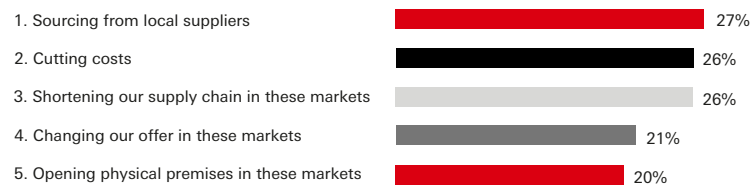
Inventive ways to overcome big issues

Every business is subject to external forces, and Dutch businesses are not immune to the effects of growing protectionism and geopolitical developments – each is felt by around half of companies. However, in both cases this is lower than the European average, which itself is significantly below global levels.

Smaller businesses and those focused on the domestic market are more likely to report that protectionism is on the increase. The biggest impact is seen as reduced competitiveness and more Dutch companies are concerned about this than their peers elsewhere in Europe. Conversely, almost half of companies believe they will make a net gain from protectionism, with greater competitiveness among the positive impacts.

Businesses are far from powerless. Many Dutch firms review and adapt their supply chain arrangements to get around protectionism difficulties. The most common responses to geopolitical issues include altering trade routes, taking more business online and deferring investments.

Ways in which businesses are coping with protectionism



Ways in which businesses are coping with geopolitics



What you need to know



53% of Dutch companies think protectionism is on the rise and 51% feel the impact of geopolitics.



27% believe protectionism reduces their competitiveness – but 22% say it makes them more competitive.



Globally, a quarter of businesses forge local partnerships to overcome geopolitical issues, but far fewer (17%) pursue this option in the Netherlands.

What your business can do



Find local suppliers. An anti-protectionism measure used by over a quarter of Dutch businesses.



Cutting costs and shortening the supply chain in affected markets is another popular strategy.



Consider new trade routes. Almost a quarter of Dutch companies do this to counteract geopolitical issues.

The sustainable future

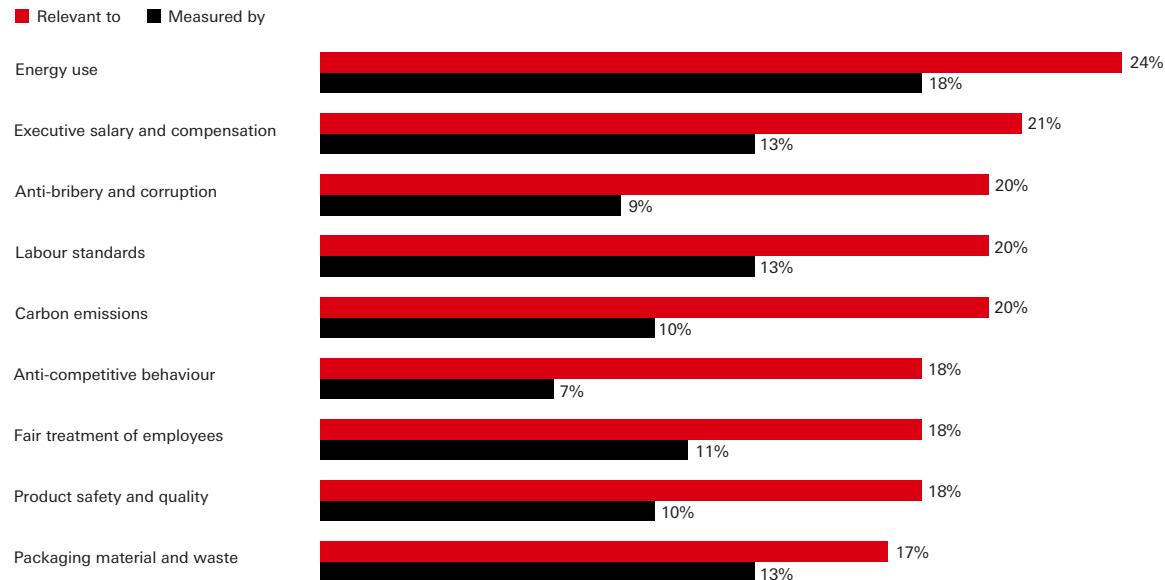
Companies feel the heat from regulators

In the Netherlands, companies said that pressure to become more sustainable in the next five years would come mostly from governments (30%), followed by regulators (28%) and competitors (27%).

Companies are measuring their performance across environmental, social and governance (ESG) issues. Energy use, executive salaries and labour standards are the most commonly monitored in the Netherlands. In the next five years, three in 10 businesses see themselves investing in waste reduction measures. Around a quarter plan energy efficiency or clean energy initiatives, and a similar proportion will invest in sustainable production techniques.

In common with companies worldwide, Dutch firms find financing a challenge in implementing sustainability. Companies are equally concerned about finding the right advice and support. The biggest obstacle, cited by over a quarter, is the time and work they need to devote to implementation.

Key ESG metrics considered relevant and measured by businesses



What you need to know



Dutch businesses feel pressure to become more sustainable in the next five years from governments (30%), regulators (28%) and competitors (27%).



More than half believe they have a role to play in meeting the UN's Sustainable Development Goals.



In the next five years, 30% of companies will invest in waste reduction and 25% in energy efficiency.

What your business can do



Invest to recruit: a fifth of businesses believe sustainability boosts their brand as an employer.



Educate your workforce on the benefits of sustainability. Employee resistance is a challenge for 21% of businesses.



Invest in employee wellbeing. Businesses that do this see better work atmosphere, productivity and morale.

Breakthrough tech

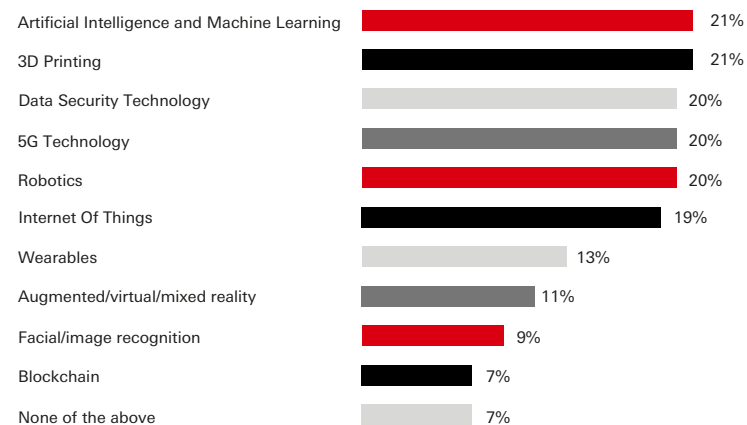
Game-changers for businesses

Globally and across Europe, data security technology is seen by most businesses as being most important over the next five years. Dutch companies acknowledge its role too, but they see a wider range of technologies having equal impact. They put artificial intelligence (AI) and machine learning marginally ahead of other technologies, alongside 3D printing.

Those companies who believe AI will have an impact anticipate that it can improve the quality of products and services, boost productivity and cut costs. 3D printing has the potential to reduce costs, improve sustainability and get products to market more swiftly for those companies who cite its impact. 5G networks, data security, robotics and the Internet of Things (IoT) are also highly rated for their potential impact.

Dutch companies are convinced their own territory is among the European leaders in technology innovation. For example, they see the Netherlands as the most advanced European country in the IoT and on par with Germany in AI. Globally, the US is perceived by Dutch firms as the most advanced technology hub, followed by Germany.

Technologies businesses think will be important over the next five years



What you need to know



Reducing costs and improving quality, delivery and productivity are seen as common benefits of the top technologies.



In Europe and globally, data security is perceived as the most potentially transformational technology for business.



Around a quarter of Dutch services companies rate the potential of data security and 5G highly, compared with 15% of goods-based businesses.

What your business can do



Invest in tech to cut costs. Businesses believe 3D printing, 5G technology, robotics and AI can all help achieve this.



Consider tech partnerships with firms in the US – seen as having the edge in all the most important technologies.



Back up your tech innovation with strong data strategy and cybersecurity. 43% of Dutch firms believe data security will have an impact on their business in the next five years.

About HSBC Navigator Netherlands

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 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 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. 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.

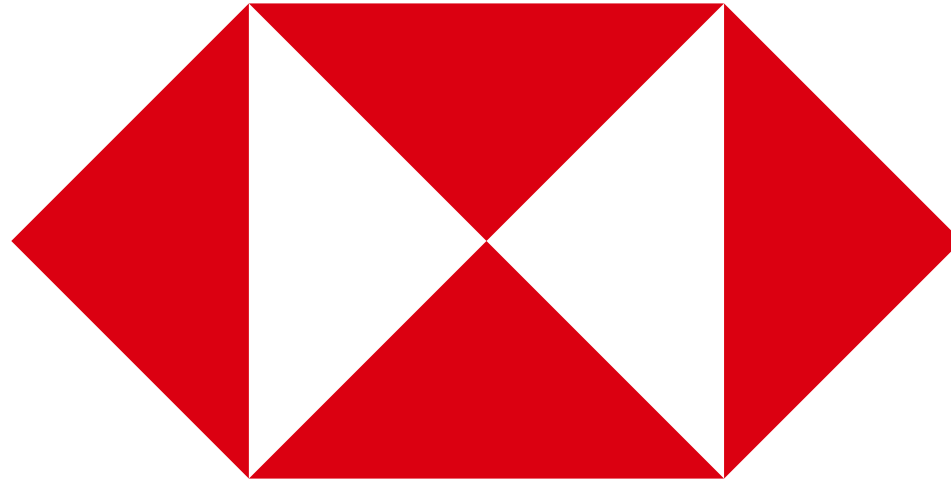
Data visualisations based on the following:

Page 2: companies who expect their sales to grow in the next year. n=7312/156

Page 3: international operators (trend). n=124

Page 4: companies who think governments are becoming more protective (top). Companies who are impacted by geopolitics (bottom). n=106 (top); n=182 (bottom)

Page 5 & 6: all companies. n=200



For enquiries please contact:

Kate Woodyatt

HSBC Global Communications

katewoodyatt@hsbc.com

Or go to www.business.hsbc.com/navigator

All images copyright © HSBC Holdings plc. All reasonable efforts have been made to obtain copyright permissions where required. Any omissions and errors of attribution are unintentional and will, if notified in writing to the publisher, be corrected in future printings.

Photo Credits: Getty Images

Note: Whilst every effort has been made in the preparation of this report to ensure accuracy of the statistical and other content, the publishers and data suppliers cannot accept liability in respect of errors or omissions or for any losses or consequential losses arising from such errors or omissions. The information provided in this report is not intended as investment advice and investors should seek professional advice before making any investment decisions.

Issued by HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom www.hsbc.com