The role of SMEs in the European Economy
Small and medium-sized enterprises (SMEs) contribute significantly to European competitiveness as well as social well-being, and represent a high share of employment and value added across all European economies. SMEs in the EU28 account for 99.8% of the total number of enterprises and 66.6% of total EU employment. The sector generated €4,030 billion of value added in 2016, which represents a share of 56.8% of total European value added in that year. Among a selection of countries we investigated, SMEs in Belgium contribute the largest share of value added relative to the country’s overall total, while SMEs in Turkey contribute the largest employment share, as depicted in Figure 1.

Figure 1 Share of SMEs’ contribution to national total employment and total value added in selected countries, 2015

European SMEs have traditionally been recognized as the driving force for growth and innovation in the economy by both national authorities and the European Commission. However, in an environment of growing international competition, as evidenced by decreasing price-levels and the increasing quality of foreign products, recent studies suggest that European SMEs need to place renewed emphasis on their role as incubators of innovation, in order to forestall an erosion of their market position. In recognition of the evolving economic conditions, the European Commission has declared the development of SMEs’ innovative and digital capacities to be instrumental for the future of Europe’s competitiveness.

The role of SMEs as incubators of innovation

When considering the process of innovation, the image typically invoked is that of multinational organizations with extensive R&D departments and large teams of researchers. Despite their comparatively low R&D budgets, however, one third of annual patent applications at the European Patent Office (EPO) are submitted by innovative SMEs. Over 260,000 European SMEs (excluding micro-enterprises) were classified as Innovative Enterprises by the European Commission in 2014 – more than ten times the number of large innovative enterprises (19,401 in 2014). Innovative enterprises are defined as enterprises that have taken action to generate and implement a product or process innovation in the two years prior to the survey date, regardless of the innovation’s success. Figure 2 depicts the share of these Innovative Enterprises by size segment. While the share of innovative enterprises in the medium-sized segment is relatively constant across countries within a range of 61% to 64% (with the exception of Turkey), the figures suggest a positive relationship between innovation and enterprise size, with large innovative enterprises ranging between 70% and 83%. Taking into account the significant total number of European SMEs compared to large enterprises, however, the SME sector’s absolute influence on overall innovation remains considerable.

1 The European Commission defines SMEs by their employee headcount and either their turnover or balance sheet total (see http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en). SMEs consist of medium-sized, small and micro enterprises. Medium-sized enterprises have an employee headcount of 50-249 with a turnover of no more than €50m. Small enterprises have an employee headcount of 10-49 with a turnover of no more than €10m. Micro enterprises have an employee headcount of less than 10 employees with a turnover of no more than €2m. For our analysis, we define SMEs by their employee headcount, not by their turnover or balance sheet total.
3 European Commission, 2009. Think Small First – Considering SME interests in policy-making
4 KfW, 2015. SME Investment and Innovation
5 European Commission, 2009. Think Small First – Considering SME interests in policy-making
6 European Patent Office, 2017. New publication highlights importance of patents for Europe’s SMEs
7 Eurostat, Product and process innovative enterprises by NACE Rev. 2 activity and size class [inn_cis9_prod]
8 Product innovations consist of new or significantly improved goods or services. Process innovations consist of improved production processes, distribution methods or supplying activity.
Digitalization influences innovation and competitiveness

Digitalization and the smart use of information and communication technologies (ICT) are critical determinants of successful innovation, competitiveness as well as growth, and offer several opportunities for SMEs to strengthen their market position. As large enterprises increasingly exploit the advantages offered by the digital innovations outlined below, SMEs must follow suit to avoid being sidelined or excluded from the rapidly transforming markets and supply chains.

Innovation does not necessarily imply the invention of new or enhanced products, but encompasses any novel approach to business organization, marketing strategy or product distribution that allows the enterprise to differentiate itself relative to its market competitors. Digital transformation can facilitate numerous forms of process innovations:

- Manufacturing and retail firms, for instance, can enhance production efficiency by automating manufacturing and supply chain processes using intelligent machines, or enhancing the flow of data using Radio Frequency Identification Technology (RFID) technology.
- Big data analytics can provide important insights into business processes, and uncover opportunities to cut costs and increase efficiency. This enables firms to reach specific customer segments more effectively and to adapt product characteristics based on their customers’ preferences. In addition to efficiency gains, big data analytics reinforces the effectiveness of decision processes using financial and non-financial data as well as statistical methods.
- Business intelligence solutions, such as enterprise resource planning software (ERP), permit firms to enhance the organizational processes within their businesses, and to share information internally and along their supply chain in real time. This allows their employees to execute tasks more efficiently.
- Cloud computing (CC) offers opportunities for SMEs to access business intelligence solutions without committing to the upfront software, hardware and personnel investments required for their inhouse implementation.
- Finally, smaller enterprises can increase their visibility and global reach via E-Commerce channels, which provide access to a broader consumer base extending far beyond the traditional market boundaries.

Apart from enabling process innovations, investments into a firm’s digital infrastructure can facilitate access to networks and promote the integration of knowledge, allowing SMEs to communicate, collaborate and share their data with partners and suppliers. Although a deeper understanding of the opportunities offered by digital transformation is emerging, many SMEs continue to lack orientation, and fail to prioritise digitization sufficiently.

How do SMEs perform in terms of digital transformation?

A comparison of the level of digital transformation of SMEs and large enterprises, suggests that SMEs are facing difficulties adopting digital technologies. Figure 3 shows several digital tools and processes along with the share of SMEs and large enterprises respectively implementing them, and reveals significant differences between the two groups of companies.

11 Process innovations consist of improved production processes, distribution methods or supplying activity.
15 PwC, Evolve or die – How the Cloud is shaping the IT organisation, 2013.
How do SMEs perform in terms of digital transformation?

A comparison of the level of digital transformation of SMEs and large enterprises, suggests that SMEs are facing difficulties adopting digital technologies. Figure 3 shows several digital tools and processes along with the share of SMEs and large enterprises respectively implementing them, and reveals significant differences between the two groups of companies.

A comparatively high share of SMEs have adopted E-Commerce either to purchase supplies or to sell their goods, with 44% having placed and 20% having received at least one order online in 2017 (Figure 3). However, the difference with large enterprises is notable, with 63% of large enterprises having purchased online in 2017 and 44% having received orders online – more than twice the SME share. Further, large differences exist regarding the use of data analytics (Big Data) for internal operational data collected by smart devices or sensors. In this category, the EU average utilization for SMEs is only 3%, whereas more than 14% of large enterprises analysed their own data in 2016.

Only 20% of European SMEs were using cloud services in 2016, compared to 45% of large enterprises. Similar discrepancies are apparent for other forms of digital tools, such as the use of advanced ERP software, which 76% of large enterprises employed in 2017 compared to only 33% of SMEs, or the use of RFID. The latter has been especially popular in the manufacturing and logistics industries, with only 12% of SMEs compared to 44% of large enterprises using RFID technology in 2017.

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19 Eurostat, Cloud Computing Services, isoc_cicce_use
What barriers to innovation and digital transformation do SMEs face?

Surveys show that many SMEs have difficulties adopting the necessary state-of-the-art digital technologies into their business processes that are crucial for the SMEs to tap their full competitive potential, and pursue innovative prospective business opportunities.  

One of the main barriers faced by SMEs on the path to digital transformation relates to financial constraints. The limited capital availability of SMEs in comparison to large enterprises, places a constraint on the ability of SMEs to invest in their digital transformation. Apart from lower financial capacity, many SMEs name uncertainty about the net benefits of digitalization as an important barrier to investing in digital transformation. This uncertainty reflects a widespread lack of awareness about the potential gains from the use of digital tools. Further there is a high degree of uncertainty among SMEs about the applicability of digitalization and digital transformation for their operations.

Several additional explanations for the low utilization of digital tools such as cloud computing services exist. In a PwC survey of more than 700 German SMEs in 2014, 73% of the respondents named concerns about data security as one of the main reasons for their company’s hesitation in adopting digital technologies. Another 55% of SMEs felt that the change in business culture and organisation resulting from the digital transformation of business processes is an important barrier. Given the reliance of online services, such as cloud computing, on a stable and fast internet connection, it is unsurprising that 50% of SMEs name deficiencies in the quality and availability of the local digital infrastructure as barriers to the investment in digital solutions. Another barrier to digital transformation is the fact that many employees of SMEs lack the digital skills needed to operate state-of-the-art digital technologies, which was true for 45% of SMEs in the survey.

How to make European SMEs more competitive and innovative?

According to the OECD, knowledge spillovers and the access to networks are crucial ingredients for innovation in SMEs and build an important basis for the firms’ relative competitiveness in the long-run. In addition, the possibility of improved remote collaboration and mobility achieved through digital transformation enables the development of small firms that are “born global” (firms that operate from and across multiple geographic locations). Recognising these core conditions, local, national and multinational authorities have initiated various programs in the form of funding and knowledge transfer initiatives, aimed at promoting SME innovation, and facilitating the digital transformation of the firms.

Dispersion of knowledge about the benefits of digitalization

To address the reluctance of many SMEs to invest in their digitalization, policymakers have attempted to demonstrate the advantages and the necessary steps to implement digital solutions to SMEs for specific sectors through the use of case studies and knowledge transfers. For example, the European Commission in cooperation with leading companies, has established knowledge platforms for specific industries, which include demonstrations of the use and effectiveness of various digital tools for different types of businesses. Major case studies have been offered to date for the automotive, fashion, transport and logistics, tourism, agro-food and construction sectors. Similarly, the Enterprise Europe Network supports SME innovation and expansion by building international partnerships and providing various advisory services. For the interested reader, PwC’s d.quarks method offers a detailed roadmap of digital transformation in SMEs, addressing both structural and cultural challenges commonly faced by the sector.

Upgrading the digital infrastructure

The European Union has recognized the importance of a stable and fast connection to the internet as a prerequisite for digital transformation, especially in rural areas where broadband coverage remains underdeveloped. A €15 billion investment in the context of the Europe2020 program for enhancement projects of the digital infrastructure of EU member states aims to be a first step in alleviating this deficiency.

Overcoming financial restrictions

A variety of funding channels for SMEs have been promoted through both private and public sector initiatives. For instance, the European Commission Horizon 2020 program subsidizes innovative SMEs with a focus on information and communication technology. At a national level, the provision of low cost loans to SMEs by government-linked development banks – often in cooperation with the private sector – has proved to be a valuable further source of finance. Finally, alternative funding models such as peer-to-peer lending or venture capital and private equity finance can provide SMEs with growth and innovation capital along with fruitful partnerships and access to business networks.
Macroeconomic Update Europe

With the European economy growing further, the rate of this expansion has decreased in the second quarter of 2018, matching earlier expectations. Inflation dynamics have gained some momentum, while in the first quarter of this year labour costs in the European Union have grown at the fastest rate in the last ten years.

GDP growth
In line with expectations of a slowdown in the Eurozone, GDP growth has decreased to 2.1% year-on-year in the second quarter of 2018, from 2.4% in the first quarter.

The expansion came on the back of elevated consumer and business confidence, as well as steadily improving labour markets, but was slowed-down by weaker export demand. Interestingly, for the first time since 2008, the output gap broke into the positive zone, manifesting the recovery from the crisis.

Among the best performers continued to be Austria and the Netherlands, with GDP growth of 3.0% and 2.7%. The underperformers included Italy and the UK, with GDP growth of 1.2% and 1.3% respectively, joined by Belgium with a 1.4% growth rate.

We expect the slowdown in Italy and UK to continue, driven by the pertaining risks of political instability. Recent elections in Italy signal that the government is likely to adopt a looser fiscal policy. In a response, Italian bond yields increased and their volatility remains high.

The depreciation of the Turkish lira with more than 40% this year, led to a downward shift of economic activity, as appetite for investment and consumption waned. Inflation became a hot topic in Turkey, as the exchange rate pass-through led annual inflation to exceed 20% as of September 2018, with ongoing upside risks due to rising producer prices. According to the New Economy Program (NEP), which was released in the late-September, Turkey needs some time to recover. According to the NEP, the economy is projected to grow below its potential until 2020, and inflation is forecasted to decline to single digit levels only in 2020.

Private consumption
Consumer confidence retains elevated levels. Stable income and profit growth, a strong labour market and supportive financing conditions continue to favour private consumption and investment.

Figures for the second quarter of 2018 show that the consumer spending growth rate has declined slightly at 1.3%, down from a 1.6% rate in the previous quarter. Overall, private consumption is expected to continue being a driver of economic growth in 2018, albeit a less strong one compared to preceding quarters.
**Capital investments**

The Eurozone Business Climate Indicator declined from 1.44 in May 2018, to 1.22 in August 2018. The reduction in business confidence in recent months could come as a result of the threat of a global trade war, less resilient Eurozone economic data, and higher crude oil prices. In the second quarter of 2018, investments remained high in the Netherlands and Spain, but showed a further slowdown in Germany and the UK.

**Net exports**

The threat of a US-EU trade war became reality with several tariffs being imposed by both sides. Tensions have recently softened, when US and EU officials claimed to be ready to work toward “zero tariffs”. Even though the risk of further protectionist measures remains material, the European economy is unlikely to be significantly affected if further escalations can be prevented.

The first estimates for trade show that Eurozone export of goods to the rest of the world rose by 5.7% in June 2018 year-on-year, despite the trade tensions. The Eurozone continues to have a high trade surplus with the rest of the world at €22.5 billion.

**Government expenditure**

Government consumption growth remains largely stable in the euro area, and both the EU 28 and Eurozone government budgets look more robust. Despite the fact that budget deficit levels are decreasing for several consecutive years, high government debt is still a common phenomenon in many countries. Italy remains a concern, with the highest debt to GDP ratio after Greece.
European labour markets continue to strengthen, with the unemployment rate in the euro area falling to 8.2% in July 2018, down from 9.1% in the same month a year ago. This is the lowest rate recorded since November 2008 in the euro area. The EU youth unemployment rate is closely approaching pre-crisis levels at 14.8% in July, with Germany having the lowest rate at 6.1%.

Labour cost has risen substantially across most of the countries, which could slow down further declines in unemployment rates in the second half of 2018. The labour cost index published by Eurostat, has seen a 2.0% and 2.7% increase in Eurozone and EU respectively, in the first three months of 2018, up from 1.4% and 2.3% in the last quarter of 2017. These are the highest growth rates in five years. Being one of the key drivers of inflation, rising labour costs will have an upward effect on price levels in the coming quarters.

Table: Key economic indicators, selected European economies

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP growth (% change)</th>
<th>Industrial production (% change)*</th>
<th>Consumer spending (% change)</th>
<th>Capital investment (% change)</th>
<th>Unemployment rate (%)</th>
<th>Consumer prices (% change)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone</td>
<td>2.1</td>
<td>0.1</td>
<td>1.3</td>
<td>2.8</td>
<td>8.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Austria</td>
<td>3.0</td>
<td>4.6**</td>
<td>2.0</td>
<td>4.5</td>
<td>4.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.4</td>
<td>-2.1**</td>
<td>0.7</td>
<td>2.0</td>
<td>6.2</td>
<td>2.6</td>
</tr>
<tr>
<td>France</td>
<td>1.7</td>
<td>1.8</td>
<td>0.8</td>
<td>3.2</td>
<td>9.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Germany</td>
<td>1.9</td>
<td>0.6</td>
<td>1.1</td>
<td>2.6</td>
<td>3.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Italy</td>
<td>1.2</td>
<td>-1.3</td>
<td>0.9</td>
<td>6.2</td>
<td>10.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>5.1*</td>
<td>0.6</td>
<td>4.2*</td>
<td>-8.7*</td>
<td>5.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.7</td>
<td>-2.1</td>
<td>2.7</td>
<td>5.7</td>
<td>3.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Spain</td>
<td>2.7</td>
<td>0.1</td>
<td>2.2</td>
<td>5.6</td>
<td>15.1</td>
<td>2.2</td>
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<tr>
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<td>2.4*</td>
<td>8.3</td>
<td>1.0*</td>
<td>3.4*</td>
<td>4.6**</td>
<td>1.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.5</td>
<td>5.6***</td>
<td>6.9</td>
<td>3.9</td>
<td>10.9*</td>
<td>17.9</td>
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<tr>
<td>United Kingdom</td>
<td>1.3</td>
<td>1.4</td>
<td>1.1</td>
<td>0.7</td>
<td>4.0^</td>
<td>2.5***</td>
</tr>
</tbody>
</table>

NB: Figures are the latest available values i.e. the second quarter of 2018, unless specified differently. Figures are further reported quarterly, unless otherwise stated, year-on-year change (where applicable). Consumer prices are reported according to the HICP methodology.


Source: IHS Markit and Eurostat
Country update: The Netherlands

In 2017, the Netherlands had one of the highest economic growth rates in Western Europe. This can be considered a late catch-up, as economic growth in the years 2012 and 2013 was relatively weak compared to other Western European countries, see figure 7. Economic activity after the global financial crisis was long hampered by a relatively high unemployment rate, a slump in the housing market and construction sector, as well as a hard hit financial sector that needed to recover. With the onset of 2014, economic conditions improved significantly and likely peaked in 2017 as economic growth will gradually slow down.

Back to ‘normal’

Buoyant economic growth in 2017 was due to a very strong contribution of multiple factors, i.e. production, investment, consumption and trade. In the first half of this year, the contribution to economic growth of household consumption, investment and net trade was comparatively high, while the contribution of especially production in the form of gas extraction declined markedly. Economic growth is still well supported by consumers spending more on durable products, and investments in construction as well as machinery.

Consumers feel more confident to spend money on relatively expensive durable products and houses, as unemployment has shown consistent declines since 2013, and income prospects are good. Solid domestic and foreign demand further encourages investment in new capacity.

The high level of expansion that is characteristic of 2017 is not sustainable, as a declining pool of surplus labour and productive capacity puts the brakes on economic growth. Not only in the Netherlands itself, but also at its main trading partners, e.g. Germany. As a result, economic growth will move towards the potential growth rate of approximately 1.7% in the coming years, providing risk factors (see underneath) do not play out.

Harder to get

The friction between the supply of, and demand for labour starts to pinch Dutch firms. At the beginning of the third quarter of this year, 25% of non-financial companies reported that their activities are restricted by labour shortages33. In the construction sector, this percentage was even 39%, and 35% for professional services. This is a significant increase compared to 2016, when
only 5% of non-financial companies was reporting labour as a restricting factor. We expect this situation to remain challenging, as job growth will continue in 2019, leading to an unemployment rate of 3.5%\textsuperscript{34}. An alleviating and welcoming factor is that more people in the age group 55 to 64 years old are increasingly able to find work. As a result, the Dutch labour population will grow with 1% both this and next year\textsuperscript{35}. In our Golden Age-index study 2018, we point out that the Dutch economy can grow with €90 billion longer term if more people aged 55+ would find employment\textsuperscript{36}.

Relative scarcity of labour will increasingly lead to higher wages in order to attract or keep talent. The Central Planning Bureau (CPB) of the Netherlands expects contract wages to increase from 2.0% in 2018 to 2.9% in 2019\textsuperscript{37}. The growth rate for 2019 is however lower than the June 2018 forecast of 3.1%, as trends in collective labour agreements do not playout as previously expected. Higher wages will lead to price increases with some time lag. The CPB forecasts inflation to move from 1.6% in 2018, to 2.5% in 2019\textsuperscript{38}. Not at all a dramatic increase, but as prices start to move higher, employees will be keener to demand higher wages in next salary negotiation rounds.

**Red-hot housing market... in the West**

Another area of tension between demand and supply is the Dutch housing market. In the first half of 2018, house prices in the Netherlands have increased with 9% on average. This, after the highest increase of house prices in ten years of 7.6% in 2017\textsuperscript{39}. Because of continuous price rises in the past years, the house price index has reached its previous high of August 2008. As such, the Dutch housing market on a whole crawled out of a deep nadir, in which the price index was more than 30% lower in June 2013\textsuperscript{40}.

Significant regional differences exist. Only in the West of the Netherlands, house prices have reached or exceeded the level of 2008. With the province of North Holland, in which Amsterdam is located, registering price rises of 9% or more since 2008\textsuperscript{41}. In the East of the Netherlands, many house owners have still not recovered from the losses of previous years. In the West, there is higher demand for houses, as it is more densely populated, and offers more employment opportunities among other things, compared to the eastern provinces. While at the same time supply is limited, too limited even, leading to faster price rises. Much construction capacity disappeared in the crisis years, and both municipal authorities as well as property development companies, became cautious to invest in new land to develop for construction. It further takes many years in urban areas to realise new building projects, causing supply to significantly lag behind demand. Demand for houses has increased much, because of better economic conditions and relatively low interest rates.

In June this year, the CPB published research results regarding the Dutch housing market. In its report, it concluded that the housing market is in a state of overheating, especially in the West, but not in a state of exuberance or bubble\textsuperscript{42}. In the report the CPB does not make recommendations of how policy makers could deal with this situation. Working on a higher supply of new houses is a logic solution, and plans are in the making to increase the construction of residential property. This may still take years to match demand.

\textsuperscript{34} UWV, Arbeidsmarktprognose 2018-2019, page 3.
\textsuperscript{35} Idem, page 9.
\textsuperscript{36} PwC, “The Netherlands is insufficiently utilising the potential of elderly people”, June 2018.
\textsuperscript{37} CPB, Macro Economische Verkenning, 19 September 2018.
\textsuperscript{38} Idem.
\textsuperscript{39} CBS, “Huizenprijzen op niveau van voor de kredietcrisis”, 5 September 2018.
\textsuperscript{40} CBS, “Huizenprijzen op niveau van voor de kredietcrisis”, 5 September 2018.
\textsuperscript{41} CBS, “Koopwoningen 9 procent duurder in juli”, 21 August 2018.
\textsuperscript{42} CPB, “Oververhitting op de Nederlandse huizenmarkt”, 1 June 2018.
A ‘cooling down’ of the Dutch housing market may in the end take place via other channels, such as rising unemployment, higher interest rates, or a correction of the housing market when houses have become too unaffordable for too many people. The first mentioned factors are in the short-term unlikely contributors, as unemployment is expected to decline further, and interest rates are not expected to rise significantly in the coming two years. Of all new mortgages in the Netherlands, more than 60% has fixed interest rates of 5 years or more. This delays the impact of higher interest rates. Therefore, a slow down as a result of house prices becoming too unaffordable, is the more likely scenario for the short term.

Trade can be a spoiler

In 2017, the contribution of net trade in goods (export minus import) to economic growth in the Netherlands for that year was 0.9 percent points, similar to the contributions of private consumption (0.9) and investment (0.9). This net figure shows the importance of trade in goods for total economic growth, and in comparison to consumption and investment as growth engines.

As a small and open economy, the Netherlands is vulnerable to disturbances in trade flows. As such, a departure of the UK from the European Union, without a free trade arrangement, is likely to have a serious impact on economic growth. Not only directly via trade with the UK itself, but also indirectly via trade with other countries having a relatively large exposure to the UK, such as Belgium and Germany. The potential impact varies depending on the outcome, but can be as large as 1.2% of GDP by 2030 following a Brexit.

Another risk factor for trade is an escalation of the trade conflict that currently exists between the US and several other countries. Earlier this year the US imposed tariffs on European steel and aluminium, and threatened to levy more tariffs. In June, the EU was able to avoid such additional measures, by agreeing with the US to work towards zero tariffs. Regardless of this agreement, rhetoric from the US president Trump regarding currency manipulation, agricultural subsidies etc. by the EU to support trade did not fade. The US has also threatened to withdraw from the World Trade Organization, allowing it to ignore rules set by this international body. Overall, the threat of a trade war has not receded completely, and this has already led to increased uncertainty and disturbances of trade flows. As a result, the CPB has recently lowered her forecasts for growth in world trade volume in 2018 and 2019, from 4.4% in both years, to 3.4% and 4.0% in 2018 and 2019 respectively.

Peaking out

Economic conditions in the Netherlands remain favourable in the near future. Consumption, investment and trade continue to fuel growth, however to a lesser degree than previously. This, as surplus capacity diminishes, prices will rise and opportunities for further expansions become less abundant. Risks such as Brexit, a trade war, a crisis in emerging markets, another Eurozone debt crisis etc. could all potentially be a trigger for caution and less confidence, negatively influencing economic growth at current levels.

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43 DNB, Deposito’s en leningen van MFI’s aan huishoudens, 3 September 2018.
45 The net contribution of trade in services was 0.2 percent points, and the contribution of government expenditure was 0.3 percent points in 2017, therefore less significant.
47 European Commission, “Joint EU-U.S. Statement following President Juncker’s visit to the White House”, 25 June 2018.
48 CPB, Short-term forecasts, 19 June 2018 and 16 August 2018.