



Economic Outlook MRA English Summary

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Amsterdam 2024

English Summary of Economic Outlook Metropolitan Region Amsterdam (MRA) 2024¹

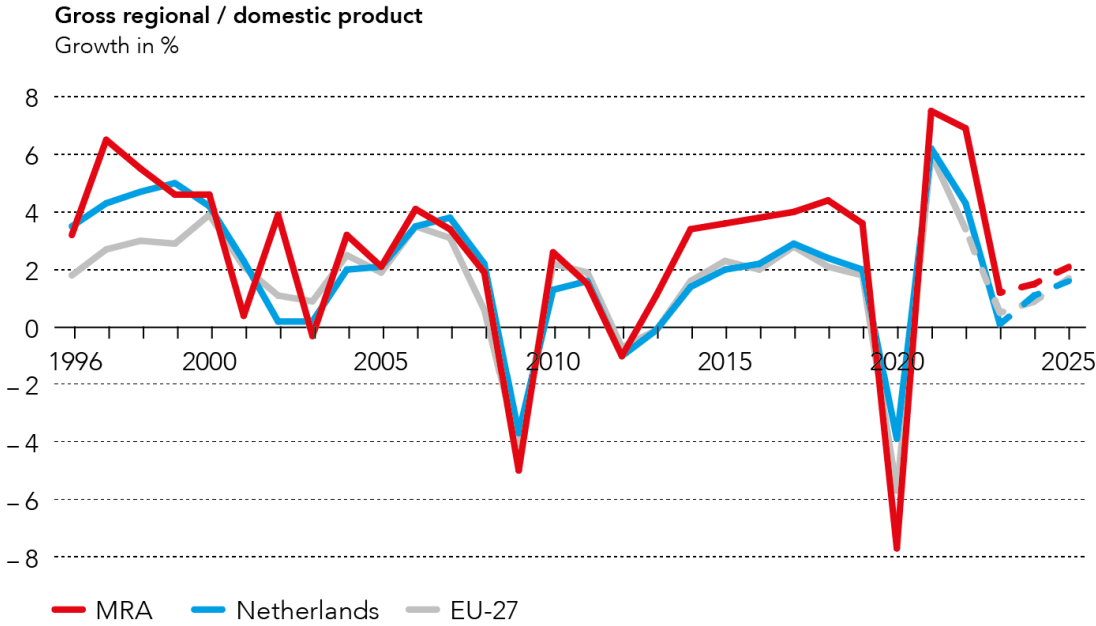
The MRA in a Nutshell

The Metropolitan Region of Amsterdam (MRA) is one of the most prosperous regions in the world. Despite two recent major shocks (the Great Recession of 2008-2014 and the COVID-19 pandemic), the MRA has enjoyed strong socio-economic performance during the past three decades (see Figure 1). Economic growth was, however, also characterized by significant fluctuations in recent years. The recovery after a historically unique contraction of 7.7% in gross regional product (GRP) in 2020 was marked by strong growth of 7.5% and 6.9% in 2021 and 2022, respectively. Part of the rapid recovery and high growth reflects the significant headwinds the MRA typically faces during recessions, a characteristic of its strong international orientation and associated volatility. These shocks are particularly felt by young people and flexible workers in the service economy. From 2023, stabilization set in with growth of 1.2%. For 2024 and 2025, economic growth is expected to reach 1.5% and 2.1%, respectively, which compares favourably to the Netherlands (with an average expectation of 1.1% and 1.6% for 2024 and 2025) and surrounding countries. The labour market is expected to cool slightly, but to remain tight. These expectations are shaped by significant uncertainties regarding national and international economic, geopolitical, and governance developments. Nationally, fragile trust between forming parties and growing concerns about wealth distribution between regions and groups in society are worrisome. In Europe, the rise of radical right parties in countries foundational to European integration (Benelux, Germany, France, and Italy) is a significant new source of uncertainty for future developments in Europe. This is especially important for a small and open economy like the Netherlands and the MRA. These uncertainties and risks require constant attention, as several major transitions in energy, circularity, and climate demand swift, decisive, and consistently maintained measures.

Due to the favourable development of the region since the mid-1990s, the MRA has turned into a powerful metropolitan region, offering an attractive location for both businesses and employees. The region is internationally renowned for its ability to combine an attractive living and working environment. In terms of gross regional product and employment, the MRA has performed favourably compared to the Netherlands and the EU27, and to other European metropolitan areas (see Figure 2). However, it is also increasingly clear that there is a need to revise the growth model that delivered prosperity to the region in recent decades.

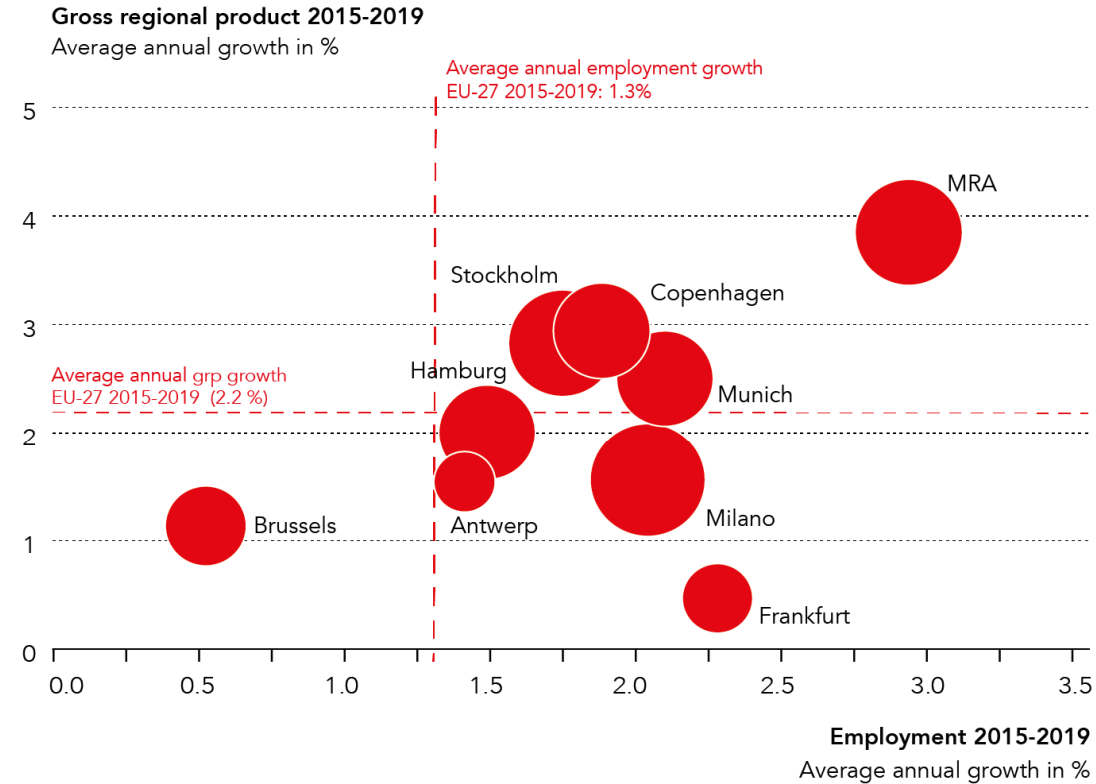
¹ This is an extended version of the Dutch summary of the Economic Outlook. A first version was created with the help of ChatGPT and subsequently rewritten to make the summary self-contained for a non-Dutch audience. Key figures have been added to the summary of the original publication. For questions or remarks, please email Henri L.F. de Groot at h.l.f.de.groot@vu.nl.

Figure 1. Economic growth volatile but favourable in past 30 years



* Dashed lines are predictions (2024 and 2025) based on CPB forecast of March 2024 (macro) and ING predictions of April 2024 (sectoral)
Source: own computations based on CBS, CPB, ING, Eurostat and European Commission

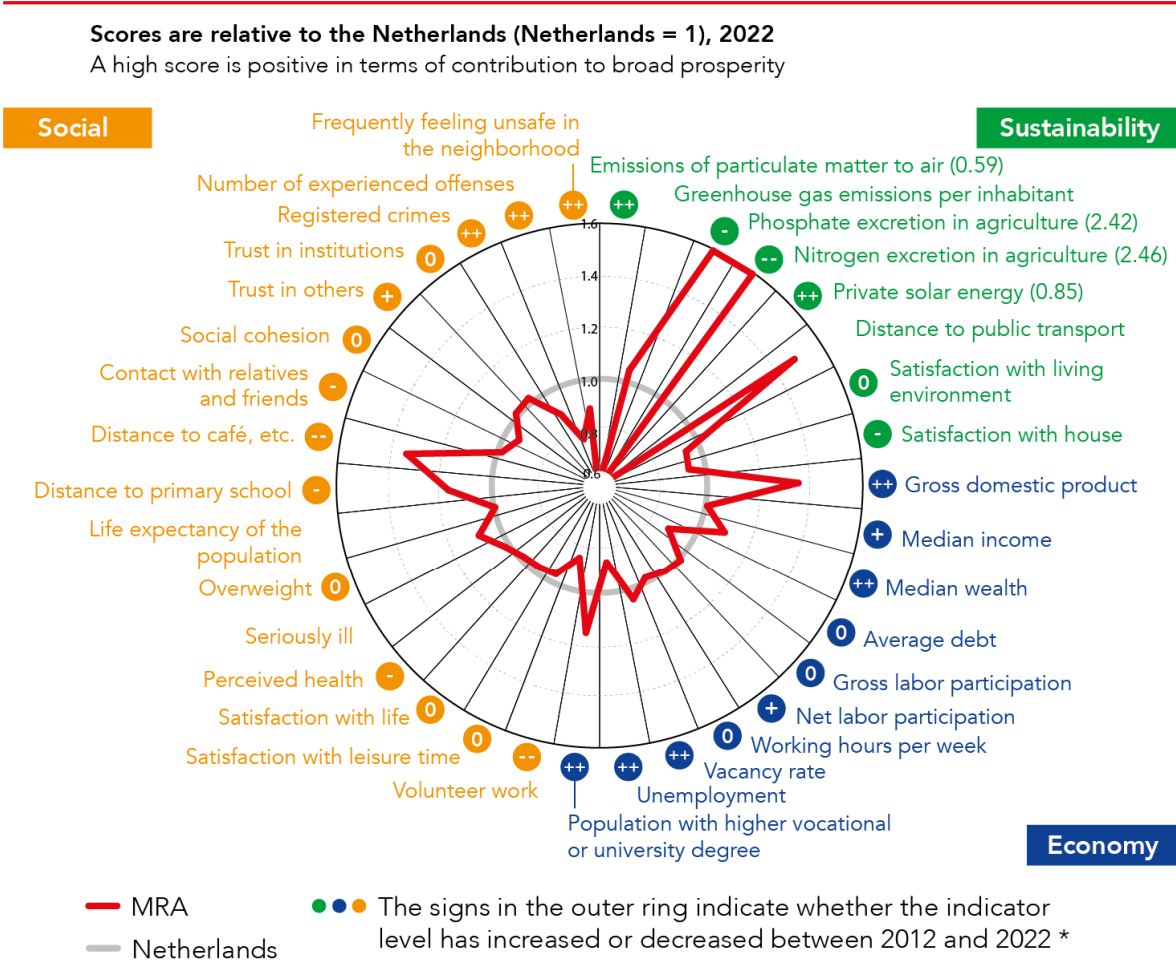
Figure 2. MRA growing relatively fast compared to other European Metropolitan Areas



* Size of circle is proportional to gross regional product in 2019.
Source: own computations based on Statistics Netherlands (CBS) and Eurostat.

Although GDP and employment growth are important indicators of economic performance, there is increasing discussion on the need “to move beyond GDP”. For that reason, we also look at the performance of the MRA in terms of broad prosperity (“Brede Welvaart” in Dutch). In the Netherlands, this is an intensively used concept that can be seen as an outgrowth of the international Beyond GDP debate that was triggered by famous Nobel prize winning scholars like Amartya Sen and Joseph Stiglitz. It aims to “measure what counts” and adds social and environmental indicators to the set of performance indicators in order to illustrate the performance and dynamics on multiple dimensions of socio-economic performance, but also to illustrate the unavoidable trade-offs between them.

Figure 3. Broad prosperity in the MRA



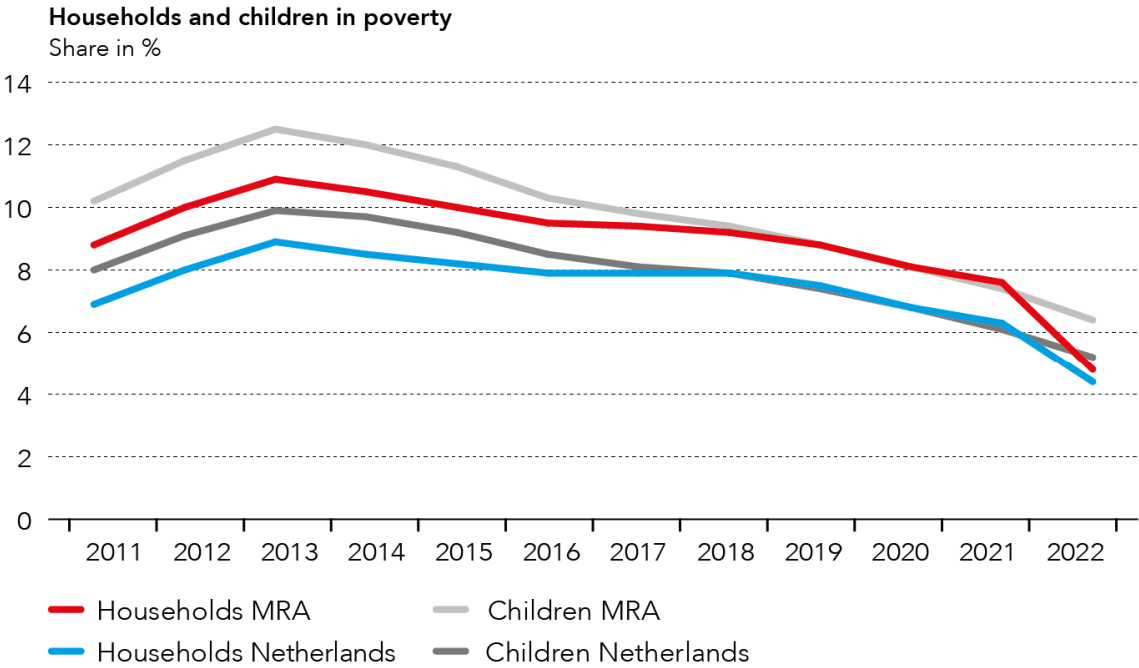
* -- reduction more than 1.5 percent; - reduction between 0.5 and 1.5 percent; 0 change between -0.5 and +0.5 percent; + increase between 0.5 and 1.5 percent; ++ increase more than 1.5 percent
 Note: changes exceeding 1.6 or smaller than 0.6 are indicated in brackets in the label of the indicator.
 Source: own computations based on Statistics Netherlands (CBS)

In 2022, broad prosperity in the MRA was characterized by relatively strong earning potential, a high share of highly educated in the population, significant wealth, and excellent accessibility to amenities (see Figure 3). However, this came at the expense of sustainability,

with relatively high emissions of fine particles and CO₂. The MRA also scored relatively poorly on several social indicators, such as volunteer work and safety. This manifested in a population less satisfied with their living environment and life in general than the Dutch average.

The broad prosperity in the MRA developed very favourably over the past decade (2012-2022). Earning potential increased over the past ten years, even compared to the Netherlands. However, not everyone benefited equally from the favourable economic development. Although poverty rates nearly halved during this period, the percentage of poverty in the MRA remained structurally higher than in the Netherlands (see Figure 4). In terms of sustainability, emissions of fine particles significantly decreased between 2012 and 2022 (also compared to the Netherlands), and the generation of sustainable energy increased. Socially, the picture is mixed. Safety in the MRA improved between 2012 and 2022: the number of registered crimes and experienced offenses decreased, and people felt safer in their neighbourhoods. However, inequality and socio-economic vulnerability increased, as evidenced by rising debts and increasing unemployment. The distribution of wealth and care for vulnerable groups requires constant attention. Other social indicators are also under pressure, with increasing distance to amenities, declining perceived health, and reduced volunteer work and contact with family, friends, or neighbours.

Figure 4. Poverty declining since 2013

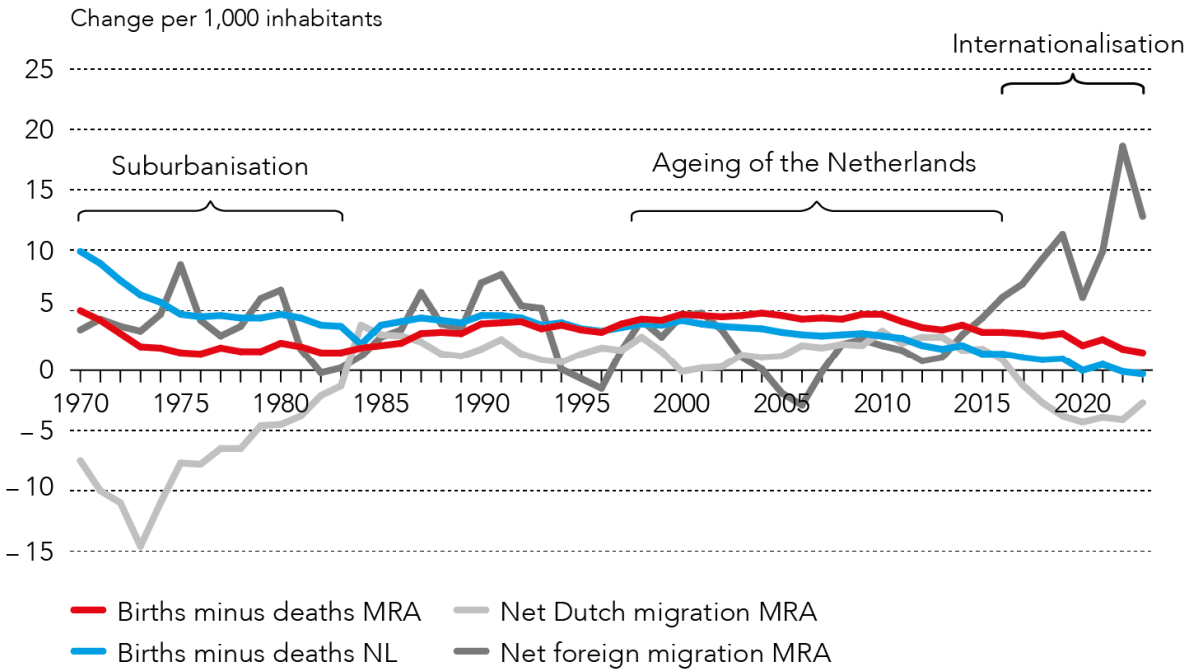


Source: own computations based on Statistics Netherlands (CBS)

Population and the Labour Market

The MRA's total population continued to grow relatively fast (by 1.4% in 2023 and an expected 1.4% and 1.2% in 2024 and 2025, respectively). This was accompanied by a clear change in the population composition: since 2017, for the first time since the 1980s, more Dutch people left the region than moved to it (see Figure 5). However, the net foreign migration balance increased significantly, primarily due to the influx of Ukrainians and knowledge migrants from Asia. These two opposite developments combined resulted in a total population in the region that kept growing.

Figure 5. Population growth in MRA increasingly driven by immigration



Source: own computations based on Statistics Netherlands (CBS)

After the rapid recovery from the COVID-19 pandemic, labour market tightness quickly returned. This is expected to become structural over the coming decades, both in qualitative and quantitative terms. The main cause is the aging population, which will accelerate in the coming years and is expected to peak around 2040. This development is reinforced by the significant reduction in unused labour potential in 2022 and 2023, now at a level where it can barely make a substantial contribution to alleviating labour market tightness. Qualitatively, mismatches in the labour market are seen due to transitions (such as digital and energy transitions) that require continuous reskilling (Lifelong Learning). This is not only important to keep as many people employable as possible but also to limit resistance to these transitions. It is crucial that everyone can cope with the transitions and the necessary changes they entail.

Labor market tightness is evident from a vacancy rate that reached an unprecedented level of 60 vacancies per 1,000 jobs in the second quarter of 2022. Although this number fell to 44 in 2023, the labour market remained very tight (see Figure 6). The slight decrease in labour market tightness is also reflected in a small increase in unemployment, especially among young people and those with basic education.

Figure 6. Historically high vacancy rate after corona pandemic

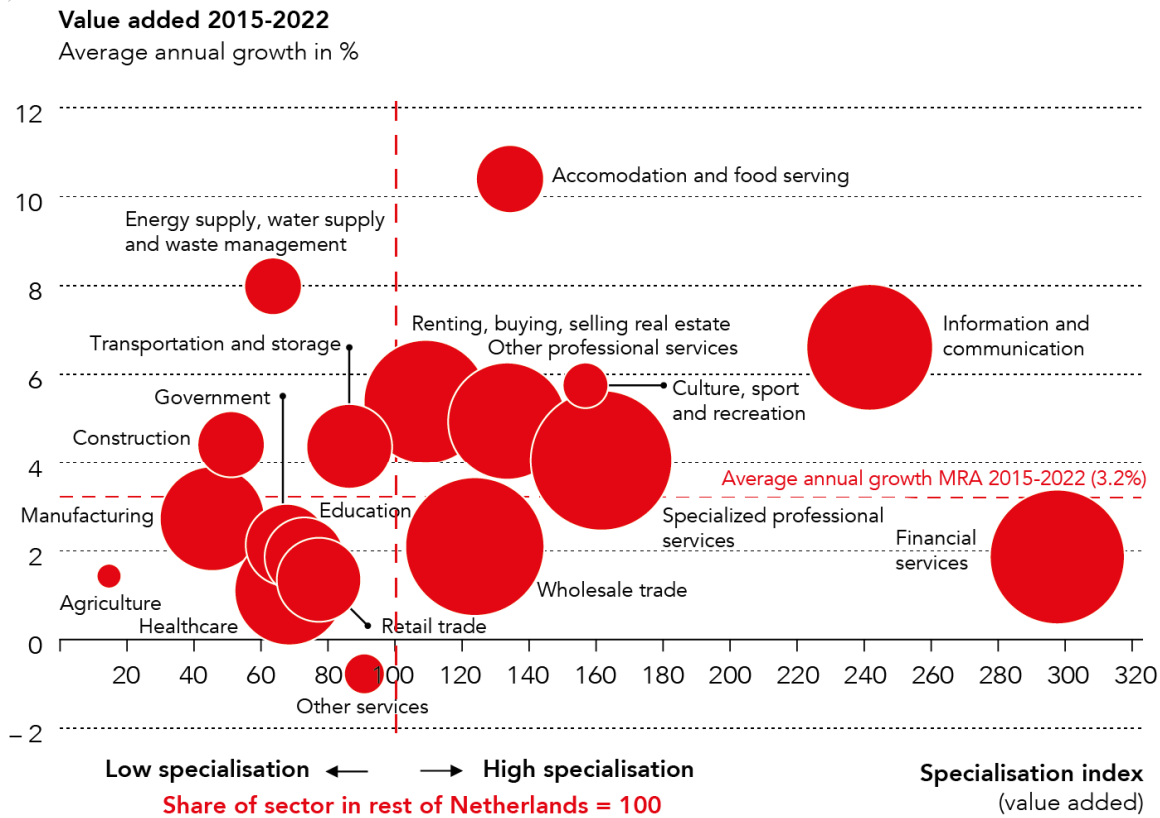


Source: own computations based on Statistics Netherlands (CBS)

Economic Structure and Competitiveness

The MRA's competitive position is strong. This strength is evident in almost all sectors of the economy and can be explained by a relatively well-educated workforce, agglomeration effects, and the region's international orientation. Additionally, the MRA, as a high-end service economy, is specialized in rapidly growing sectors (such as Information and Communication and Specialist Business Services). The composition of the economy also contributes to the MRA's faster growth compared to the national average (see Figure 7).

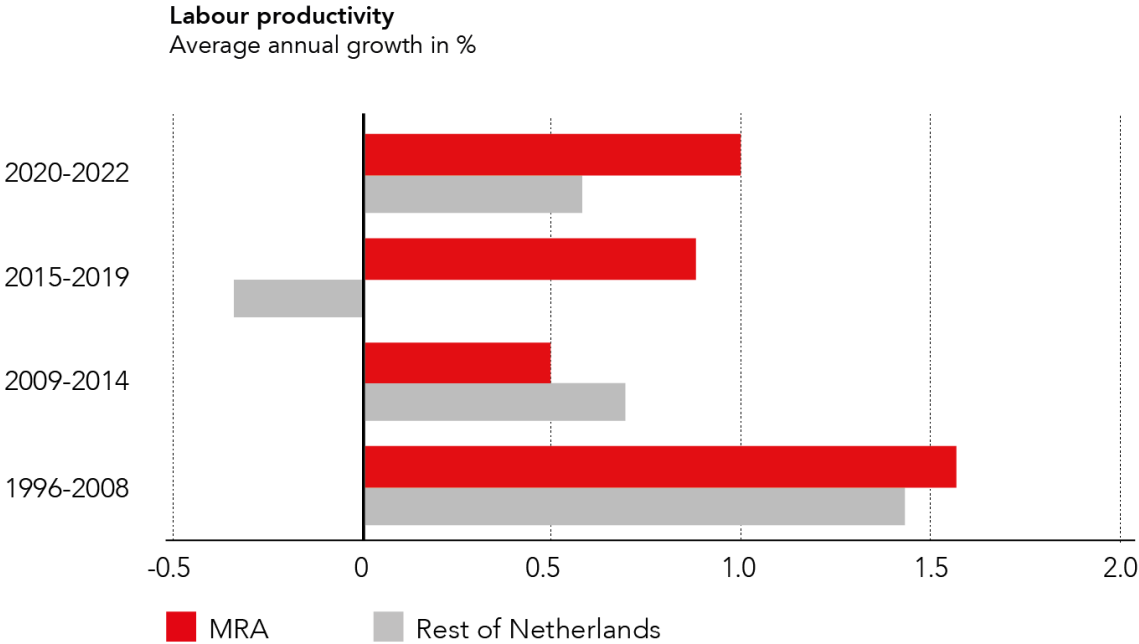
Figure 7. Specialisation pattern contributes to high value-added growth



* Size of circle is proportional to value added in 2022
 Source: own computations based on Statistics Netherlands (CBS)

The number of bankruptcies increased in 2022 and 2023 after the phase-out of COVID-19 support packages and the requirement for companies to repay excess support received. The process of creative destruction is working with a delay, but there is still a struggle with moving away from the 'compensation society' formed during the pandemic. This has had a short-term dampening effect on labour productivity growth, which also showed a long-term declining trend (see Figure 8). This trend, combined with labour market tightness, puts pressure on the region's future growth potential and underscores the importance of investing in technological and social innovation to maintain the region's flexibility, resilience, and renewal.

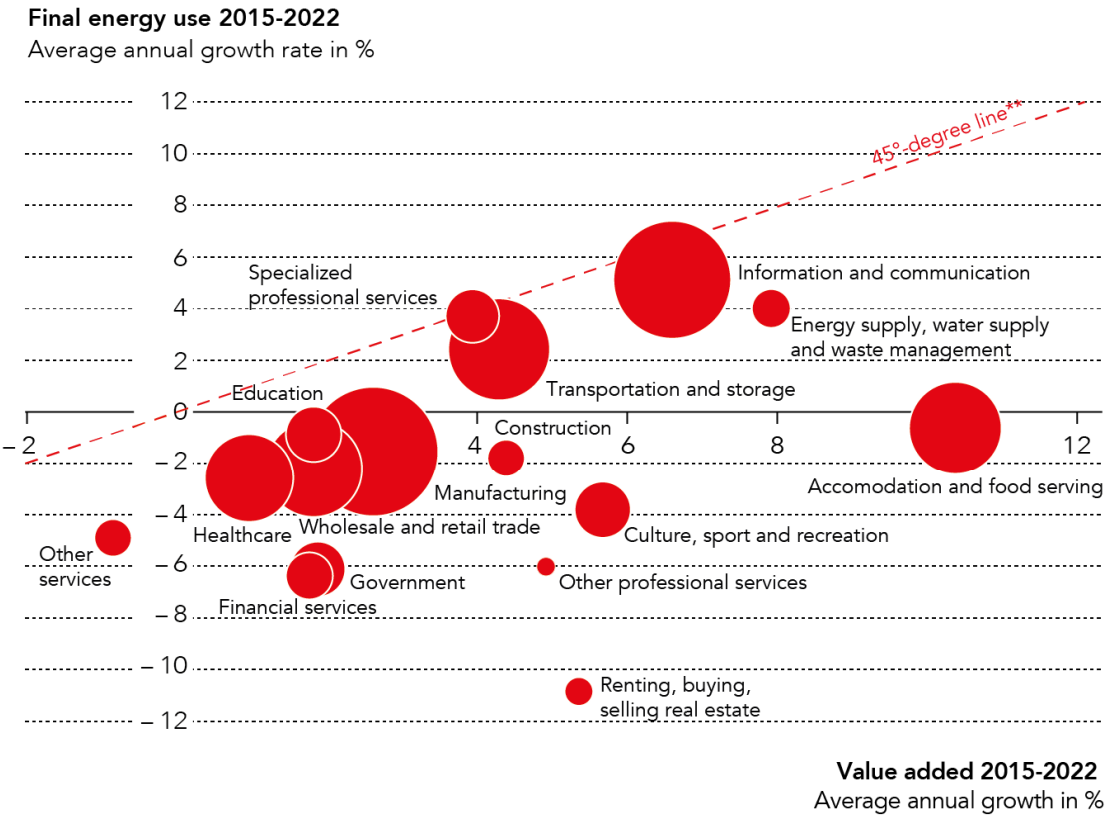
Figure 8. Labour productivity growth in MRA more volatile than in Netherlands



Source: own computations based on Statistics Netherlands (CBS)

Despite economic growth, energy consumption has declined in most sectors since 2015. Exceptions are the Information and Communication, Transport and Storage, and Energy, Water, and Waste sectors. Overall, there has been a decoupling of value-added growth from energy consumption growth, mainly because sectors have started to produce more energy-efficiently (see Figure 9). These are the first fruits of the energy transition, but there is still a significant challenge to achieve the ambition of being fully climate-neutral by 2050. The moderation of ambitions currently seen in both the Netherlands and Europe is concerning. More radical adjustments than in the recent past will be needed to achieve the goals. Delays will only increase the costs of achieving these ambitions.

Figure 9. Energy intensity of production declining in all sectors



* Size of circle is proportional to energy use in 2022.
 ** The 45°-degree line represents a situation of constant energy intensity.
 Source: own computations based on Klimaatmonitor/Statistics Netherlands (CBS)

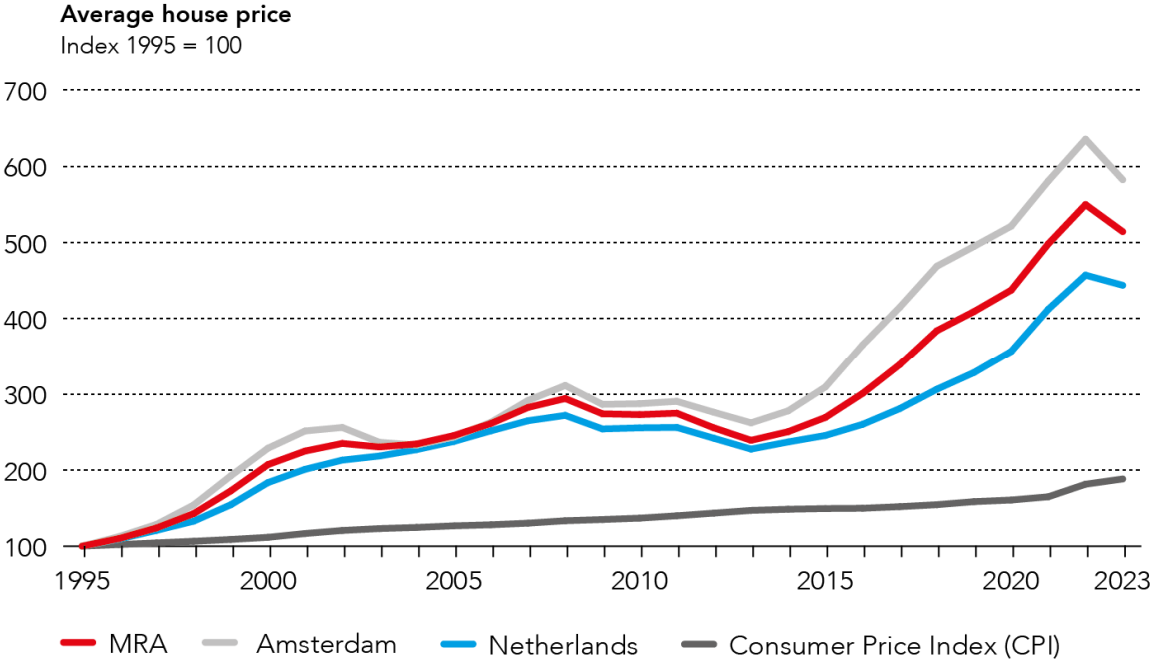
Developments in Subregions

In the MRA, the economy, population, and employment grew faster than the national average from 2015 to 2022. Growth was particularly concentrated in Almere-Lelystad, Amsterdam, and Amstelland-Meerlanden, although the differences were smaller than around the turn of the century. Residents in most MRA subregions had relatively high incomes and wealth compared to the Netherlands but also relatively high debts (likely related to high house prices and mortgages). Additionally, they were relatively dissatisfied with their homes and living environments and faced relatively high crime rates and poor air quality. There were significant differences between subregions in terms of accessibility to amenities, sustainability indicators, and social capital.

The region faces significant challenges concerning the housing market. The increased tightness in the MRA housing market is reflected in a fivefold increase in house prices since 1995, more than in the rest of the Netherlands, where prices have more than quadrupled in the same period. In Amsterdam, the price increase was even stronger, with nearly a sixfold increase since 1995 (see Figure 10). This significant price growth occurred despite the number of homes growing faster than the population from 2016 to 2023, both within and

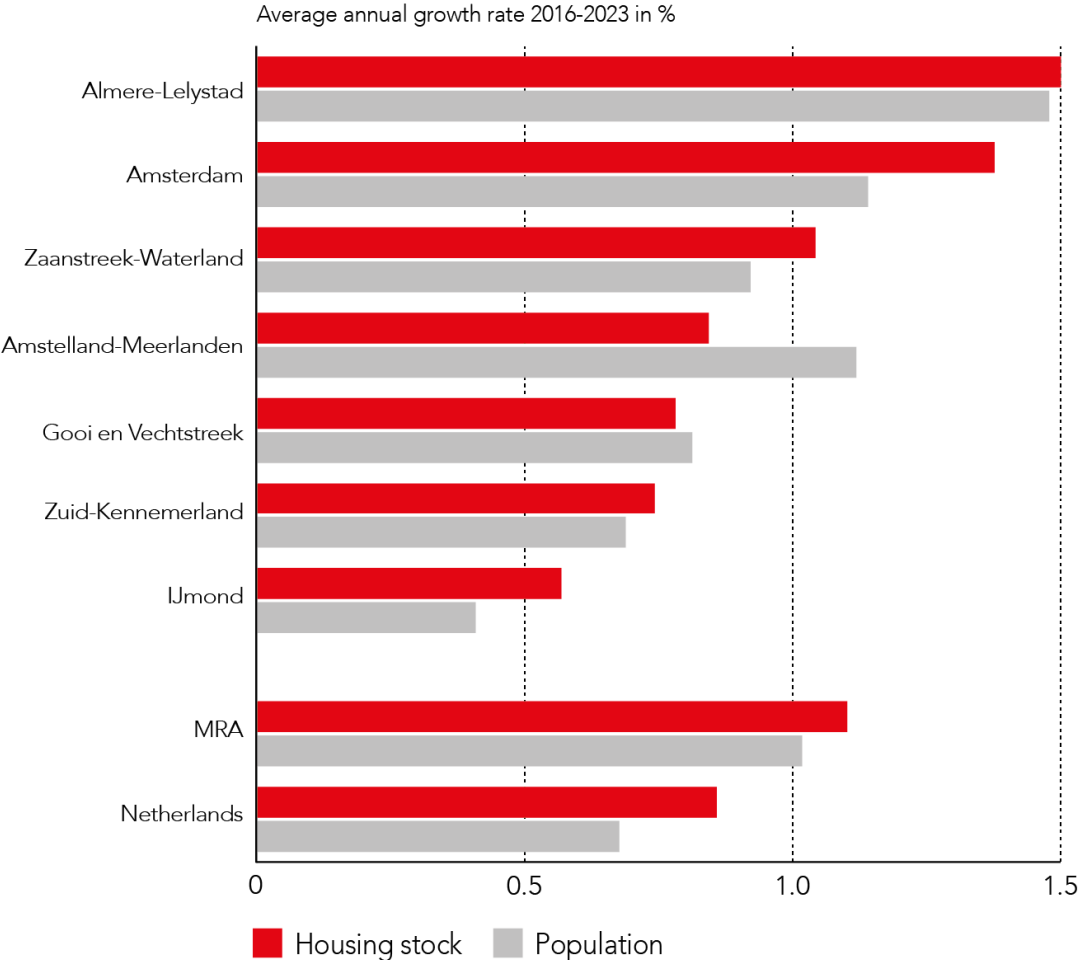
outside the MRA. The shrinking size of households significantly contributes to housing market tightness (see Figure 11).

Figure 10. Increase in house prices relatively fast in MRA



Source: own computations based on Statistics Netherlands (CBS)

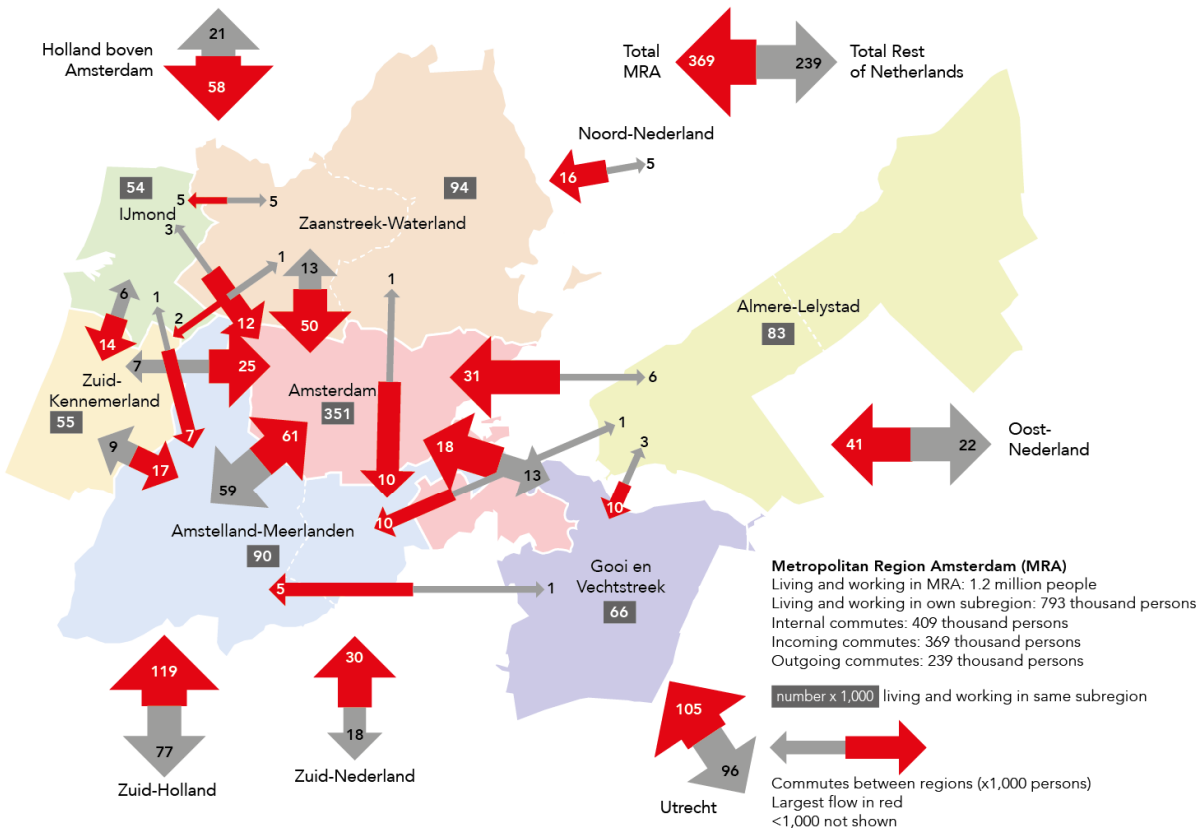
Figure 11. Housing stock growing faster than population



Source: own computations based on Statistics Netherlands (CBS)

All MRA subregions were characterized by a very tight labour market. Unemployment was at historically low levels everywhere. The concentration of employment in the Amsterdam and Amstelland-Meerlanden regions led to significant and increasing commuter flows, not only from within the MRA but also from the rest of the country (see Figure 12). The percentage of all workers who also live in their own region decreased in Amsterdam and Amstelland-Meerlanden (by 3 and 4 percentage points, respectively), while the number of workers in these regions from outside the MRA increased (by 5 and 3 percentage points, respectively). The opposite was true for Zaanstreek-Waterland and Almere-Lelystad: the number of people living and working in their own region increased (by 4 and 9 percentage points, respectively), and the share of workers from outside the MRA decreased (by 7 and 4 percentage points, respectively).

Figure 12. Commuting flows in the MRA and wit the rest of the Netherlands



Holland boven Amsterdam: Regio Alkmaar and Kop van Noord-Holland.
 Noord-Nederland: Groningen, Friesland and Drenthe.
 Oost-Nederland: Overijssel and Gelderland.
 Zuid-Nederland: Zeeland, Noord-Brabant and Limburg.
 Source: own computations based on Statistics Netherlands (CBS)

Looking Ahead

While the MRA enjoys a favourable starting position and has seen positive developments in a wide-range indicators of broad prosperity over the past decade, the region faces significant challenges. Several major transitions in climate and energy, digitization, and the creation of an inclusive society will require concrete policies and sharp choices. As previously stated, continuous investment in the MRA's renewal, flexibility, and resilience is necessary. Additionally, the limited availability of space and labour will require sharp choices. Two major transport and logistics hubs (the Port of Amsterdam and Schiphol) and the large industrial complex around Tata Steel, for example, present significant sustainability challenges.

However, in the current political climate in both the Netherlands and Europe, it seems likely that a pause will be taken in the transition to a climate-neutral and fully circular economy by 2050. This is a reaction to increased concerns among the population and parts of the business community about the speed of changes. Yet, this same speed seems insufficient to achieve the ambitious goals. This poses a significant risk that ambitions will need to be tightened again in a few years, pushing the tasks onto future generations.

In this context, it is important to realize that a resilient, flexible, and economically strong region like the MRA can face these challenges with confidence and play a leading role in major societal transitions. Organizing these transitions smartly, with respect and recognition for everyone's role, is essential. Clear and binding frameworks have already been set by Brussels, driven by concerns about the planetary boundaries our society faces. It is up to the region to form its vision of what kind of region the MRA wants to be in 2050 within these frameworks. Renegotiating is an unwise strategy. At the same time, this requires continuous investments in mutual trust and a full and equal partnership with the national government. Especially in a period of increasing polarization, this is crucial, as sharp and impactful choices need to be made in areas such as the labour and housing market, the social domain, business climate, infrastructure, and sustainability, which will not only have winners but also losers. A joint investment with a fair distribution of the benefits and burdens ensures that the losers are compensated and that the transitions result in a sustainable MRA with healthy earning potential shared by all. To quote Jan Tinbergen: "From distribution comes the profit."

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