DNB

NEWS

DNB develops new model to forecast short-term economic growth

| ☰ | 🔊 Read aloud | ▶ |

Based on a new forecast model, DNB expects the Dutch economy to grow by 0.4% in the third quarter of 2024 compared to the previous quarter. The uncertainty surrounding this forecast is large. In mid-November, CBS publishes the first official measurement of economic growth in the third quarter.

Published: 03 October 2024

© ANP

Rapid forecast thanks to a new model

Statistics Netherlands (CBS) releases an initial measurement of economic growth (GDP growth) in the Netherlands about a month and a half after the end of each quarter. Thus, the first CBS calculation of GDP growth for the third quarter of 2024 will be released in mid-November. This calculation is based on realised economic activity data.

To quickly forecast the growth rate in a quarter, DNB, like many other central banks, uses a so-called nowcasting model. A timely assessment of the state of the economy is important in preparing our six-monthly projections and policy analyses and recommendations. This is why our nowcasting model uses forward-looking indicators.

DNB's nowcasting model translates a multitude of economic indicators into a forecast for the current quarter's GDP growth rate. There are a total of 70 indicators with data on the macroeconomy (ranging from industrial output to debit card transactions), financial markets, firms and households. This makes it a different type of estimate from that of CBS, which ultimately measures actual GDP growth.

Quarterly growth forecast based on range of data

We recently updated our nowcasting model, the Dutch Forecasting Model for Real Time Output Growth (DFROG). The aim of the model is to use monthly and daily indicators to forecast GDP growth in the current quarter as accurately as possible. DFROG is a dynamic factor model that uses information from about 70 time series to generate a forecast. The technical description of the model and the rationale for its selection can be found [here](#).

The selected indicators in DFROG can be divided into eight groups: (1) stock market, (2) labour market, (3) consumption, orders & inventories, (4) money & credit, (5) housing, (6) prices & wages, (7) output & income, and (8) interest & exchange rates.
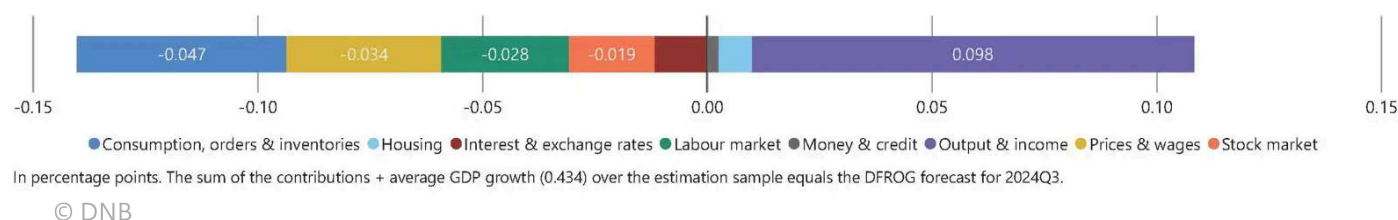
Growth continues in third quarter

The nowcasting model estimates that the Dutch economy grows by 0.4% in the third quarter of 2024 compared to the previous quarter. This means growth in the Dutch economy continues to pick up, as we expected in [our earlier projections](#).

Figure 1 shows the contributions of the above eight groups to the projected GDP growth. The sum of these growth contributions plus average long-term GDP growth equals the projected 0.4%. In the DFROG forecast for the third quarter of 2024, indicators in the output & income

group make the largest positive contribution to estimated GDP growth (the purple bar in the figure). This is partly related to the surprisingly strong GDP growth in the second quarter, which carries over into the model's estimate for the third quarter.

Indicators in the consumption, orders & inventories and prices & wages groups make the largest negative contributions to projected economic growth. In particular, they reflect developments in manufacturing industry, such as expected orders and producer confidence.
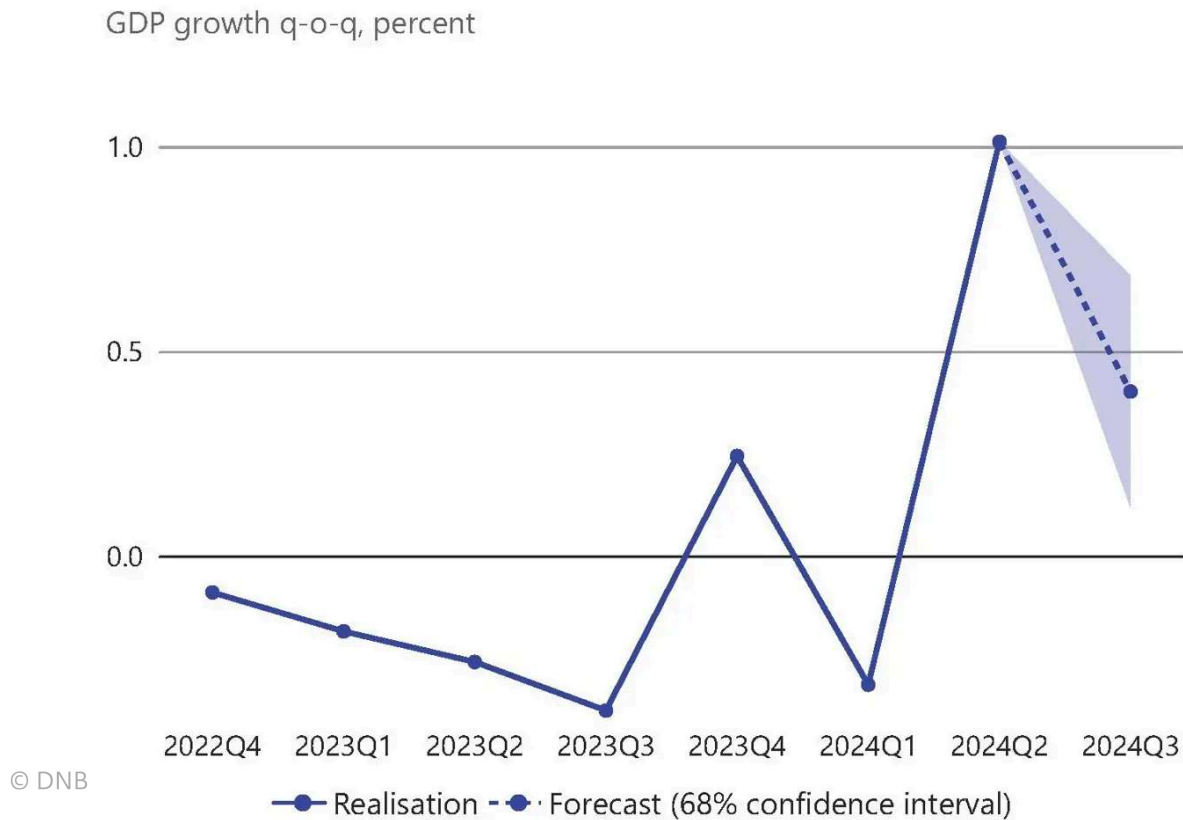
Figure 1: Contributions to DFROG forecast in 2024Q3 by indicator group. Forecast prepared on 1 October 2024

In percentage points. The sum of the contributions + average GDP growth (0.434) over the estimation sample equals the DFROG forecast for 2024Q3.

© DNB

DFROG forecast surrounded by uncertainty

Like all forecasts, this estimate of economic growth will most likely be different from the actual growth rate published by CBS. Based on our model, we expect the GDP growth rate in the third quarter to be between 0.1% and 0.7% (68% confidence interval, see Figure 2). However, a lower or higher figure cannot be ruled out either.

Figure 2: Point estimate and (68%) confidence interval in DFROG forecast of GDP growth in 2024Q3 (q-o-q). Forecast prepared on 1 October 2024

GDP growth q-o-q, percent

Supplement to spring and autumn projections

We prepare our nowcasts to supplement our regular bi-annual projections for the Dutch economy for the Dutch economy, which we release each spring and autumn. They look two to three years ahead. We will supplement these projections with estimates of short-term GDP growth. The estimates of short-term GDP growth also serve as input for our longer-term projections. They can be found on our website page "The state of the Dutch economy".

Discover related articles

News   Economy

Share: in   X   f   ✉   ⌾

Interesting articles

25 November 2025 Speech

Awakening Europe's Inner Animal: Building a Resilient and Innovative Economy

17 November 2025   Press release

Financial stability outlook remains concerning

23 September 2025   News

Dutch institutions suffered losses on European government bonds in first half of 2025

25 July 2025   Background

Why the ECB has kept its interest rates unchanged

About us   Sitemap   Archive   Privacy and security   Accountability

Contact & FAQs

We are committed to financial stability and contribute to sustainable prosperity in the Netherlands.

De**Nederlandsche**Bank