The Netherlands’ economic freedom score is 76.8, making its economy the 13th freest in the 2019 Index. Its overall score has increased by 0.6 point, with gains in fiscal health and government integrity outpacing small declines in monetary freedom, labor freedom, and trade freedom. The Netherlands is ranked 5th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The Netherlands’ economy flourishes through openness to global trade and investment and an independent judicial system that provides strong protection of property rights and fosters the rule of law. The most recent government’s priorities have been fiscal consolidation and implementation of some structural reforms, including reform of the labor market. The official retirement age will rise gradually by 2021. This will help to put public finances on a broadly sustainable medium-term to long-term path, provided policies are not changed by a new government.

### ECONOMIC FREEDOM SCORE

| WORLD RANK: 13 | REGIONAL RANK: 5 |

**ECONOMIC FREEDOM STATUS:** MOSTLY FREE

- **WORLD AVERAGE:** 60.8
- **REGIONAL AVERAGE (EUROPE REGION):** 68.6

**RELATIVE STRENGTHS:** Fiscal Health and Investment Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996):** +71

**CONCERNS:** Government Spending and Tax Burden

### FREEDOM TREND

- **2015:** 73.7
- **2016:** 74.6
- **2017:** 75.8
- **2018:** 76.2
- **2019:** 76.8

### QUICK FACTS

- **POPULATION:** 17.1 million
- **GDP (PPP):** $916.1 billion
- **3.1% growth in 2017**
- **5-year compound annual growth 1.8%**
- **$53,635 per capita**
- **UNEMPLOYMENT:** 4.8%
- **INFLATION (CPI):** 1.3%
- **FDI INFLOW:** $58.0 billion
- **PUBLIC DEBT:** 56.7% of GDP

**BACKGROUND:** Prime Minister Mark Rutte has been in office since 2010. His center-right People’s Party for Freedom and Democracy (VVD) won the most seats in the March 2017 parliamentary elections. After a lengthy deadlock, the VVD formed a narrow governing coalition with the center-right Christian Democrat Appeal, center-left Democrats 66, and center-right Christian Union Party. Geert Wilders’ populist Party for Freedom, despite receiving the second-highest vote in 2017, remains out of government. Rutte has been outspoken in supporting the return of power to European Union member states. A European transportation hub, the Netherlands has the EU’s sixth-largest economy, supported by exports of chemicals, refined petroleum, and electrical machinery, as well as by a highly mechanized and profitable agricultural sector.
Private property rights are strongly protected, and contracts are reliably enforced. The judiciary is independent of political interference and provides impartial adjudication of disputes. The Dutch do not tolerate political corruption, and the cases that do arise are prosecuted expeditiously. Anticorruption laws are effective and promote government integrity. The Netherlands is signatory to major international anticorruption conventions.

The top personal income tax rate is 52 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.8 percent of total domestic income. Over the past three years, government spending has amounted to 43.6 percent of the country’s output (GDP), and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 56.7 percent of GDP.

The overall regulatory framework is transparent and competitive. The efficient business framework is conducive to innovation and productivity growth. Labor regulations are relatively rigid. The nonsalary cost of employing a worker is high, and dismissing an employee is relatively costly. In 2018, the government allocated €4 billion for environmental subsidies, to be funded by higher fuel taxes.

The combined value of exports and imports is equal to 161.2 percent of GDP. The average applied tariff rate is 2.0 percent. The Netherlands implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. There is no general screening of foreign investment, and investment in most sectors is not restricted. Sensible banking regulations facilitate entrepreneurial growth.