The Netherlands climbs to 7th place in WEF Financial Development Report ranking

Rotterdam, 4 November 2010 --- Since 2008, the World Economic Forum (WEF) has published the annual “Financial Development Report.” The Erasmus Strategic Renewal Centre is a partner institute to the WEF and has collected the data for the Netherlands. After having risen from 9th to 8th place on the Financial Development Index (FDI) last year, the Netherlands has again climbed one place to reach the No. 7 spot. Admittedly, the Netherlands total score in the area of financial development is once again lower than in the previous year. But that applies to many other countries, too. So the Netherlands’ top ranking indicates that its financial system has not suffered as badly this year as that of many others. In short:

- The Netherlands has climbed from 8th to 7th place, largely because other countries’ financial systems have been faring worse by a considerable margin.

- The United States and the United Kingdom are continuing to lead the pack, but have no reason for complacency: very low scores for financial stability and weaknesses in their tax regimes; plus not-very-efficient banks.

- Developing countries remain financially stable, but are relying disproportionally on the worldwide economic recovery, which could undermine the stability of these fairly weak economies.

The FDI-based “Financial Development Report” present the scores and rankings of 57 countries for their national levels of financial development. Financial development is the total sum of factors, policies and institutions that result in effective financial intermediation and markets; as well as access to capital and financial services. The FDI is based on seven pillars: 1) institutional environment, 2) business environment, 3) financial stability, 4) banking financial services, 5) non-banking financial services, 6) financial markets and 7) financial access. The various components making up these pillars, such as liberalization of the financial sector, the costs of doing business, currency stability, banking stability, financial information disclosure, M&A activity, stock market turnover, as well as the availability of venture capital, are the drivers behind the development of the financial system supporting economic growth.

As was the case two years ago, the United States is once again the country with the most-developed financial system (thanks to the depth of its large active wholesale financial markets in particular). Following hot on its heels is the United Kingdom, despite its worsened total score. Both countries have weak scores on financial stability. That has affected especially Britain, which is leader no more as a result. According to Kevin Steinberg, Chief Operating Officer of the WEF in the US, the two countries risk losing their top-ranked positions, the main reasons being their financial instability; weaknesses in the business environment (such as taxation); and their not-very-efficient banks.

Hong Kong and Singapore are the only countries in the Top 5 that have improved their total scores. They are now snapping at American and British heels and have already overtaken Australia (runner-up in 2008) in the ranking. Hong Kong and Singapore performed particularly well in terms of institutional and business environment, plus financial stability. By contrast, Australia has slipped down the ranking, especially on account of decreasing activity in non-banking financial services (such as IPOs and M&As) and a less favourable business environment. Canada has retained its No. 6 spot. Next on the ranking are the Netherlands and then Switzerland, which have changed positions. This year, too, Japan has stayed put at 9th place. Belgium has entered the Top Ten for the first time, having done so at the expense of Denmark. Figure 1 show the current Top 10 and those countries’ previous rankings.

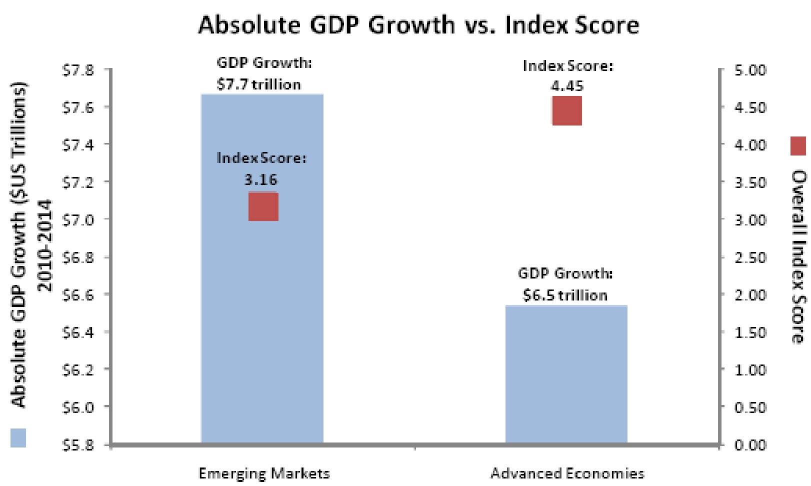
Figure 1: WEF Financial Development Index (Top 10)

Land	**Ranking 2010**	Ranking 2009	Change in position 2009-2010	Ranking 2008
United States	**1**	3	+2	1
United Kingdom	**2**	1	-1	2
Hong Kong	**3**	5	+2	8
Singapore	**4**	4	0	10
Australia	**5**	2	-3	11
Canada	**6**	6	0	5
Netherlands	**7**	**8**	**+1**	**9**
Switzerland	**8**	7	-1	7
Japan	**9**	9	0	4
Belgium	**10**	13	+3	17

Source: World Economic Forum Financial Development Report 2010 & 2009

As they did last year, emerging economies acquitted themselves well again in the area of financial stability: Malaysia, Chilli, Brazil, Slovakia, Mexico, Morocco, China and Peru have all achieved a Top 20 position within this pillar. However, within the context of the present-day economic climate, these countries are facing their own sets of risks, which flow from the performance of their particular financial systems. On the strength of IMF predictions, it is expected that over 54% of GDP growth in absolute terms will be generated by emerging economies. Further global economic recovery will therefore disproportionally rely on these economies and their financial systems. In contrast to their economic power, the FDI performance of most emerging economies is not robust. These countries average 1.3 points lower on the Index (on a scale from 1 to 7), which raises the question of how they can effectively fund growth in GDP (see Figure 2). Many emerging free-market economies that are doing well in providing financial access to companies are putting in a substantially worse performance when it comes to providing access to retail financial services to individual citizens. This limited access to retail financial services could hamper consumer demand (required for economic growth), which will make difficult to keep the ongoing economic imbalance in check.

Figure 2: Emerging markets remain the motor of the worldwide economy, but are facing risks resulting from their less developed financial systems.



Source: World Economic Forum

By addressing important (long-term) risks such as the one mentioned, emerging economies can continue to improve their financial systems, which are the clear drivers behind their own and global economic growth. The “Financial Development Report,” published by the World Economic Forum, thus gives countries a handle on their own situation to benchmark themselves and set priorities for revamping their financial systems. A continued focus on the desired development of this system in the Netherlands within the present-day context of globalization of economic malaise should enable the Dutch to enter the Top 5 in the future or, at the very least, consolidate a Top 10 position.

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