Dutch economy enters Middle East crisis from a position of strength

Strong data in recent weeks illustrates that the Dutch economy has good momentum in the first quarter. But the Middle East war puts the Dutch resilience of recent years to the test once more. With limited conflict, we expect decent economic growth to continue

Incoming data has been strong in recent weeks, but the Iran war will test the resilience of the Dutch economy

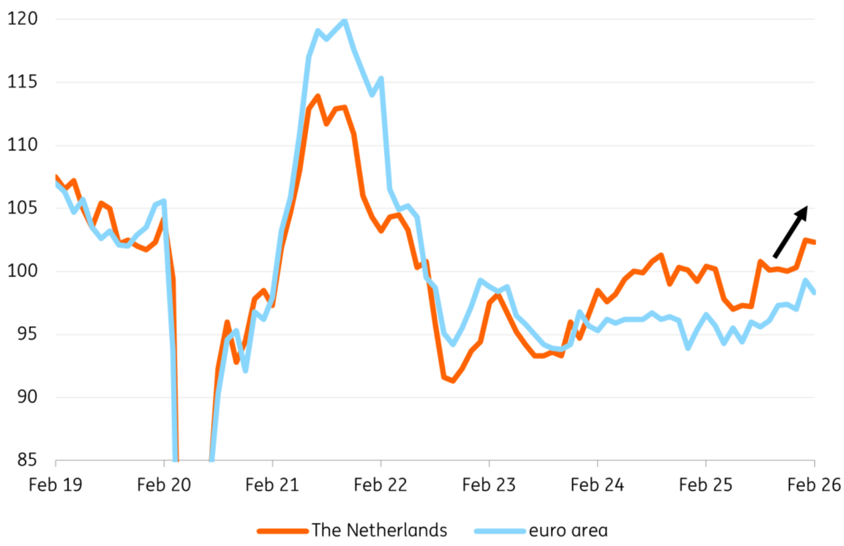
Incoming data has recently surprised to the upside

As fears of the next energy crisis mount, it's easy to forget about the recent economic strength of the Netherlands. The economy is seeing stronger-than-expected data, which should have a positive impact on the annual growth rate. Fourth-quarter 2025 growth surprised to the upside, supported by robust goods exports and still-solid government consumption. This is having a positive carryover effect on 2026 growth.

Retail sentiment remained somewhat downbeat, but sales grew in January. Manufacturing production rose by 0.4% month-on-month in January. And forward-looking composite sentiment data for January and February, as surveyed by the European Commission, was stronger than at the end of last year, especially in manufacturing.

Dutch economic sentiment improved at the start of 2026

Economic Sentiment Indicator, index* 100=long term average



Source: European Commission via Macrobond, calculations ING Research; *Seasonally adjusted

The Middle East war has sharply increased the risks to the Dutch economic outlook by disrupting global energy and transport markets. There's major uncertainty about how long these pressures will persist. The Netherlands is relatively exposed as a major logistics hub and a significant importer of energy. Yet it also faces a much smaller energy-intensive industry impact than its major neighbour, Germany. This could drag on GDP and push up prices if the economic fallout from the war lingers.

Overall, the Dutch economy has been quite resilient to recent shocks. It came out of the pandemic quite well. It required only moderate fiscal support relative to other advanced economies and experienced a faster GDP recovery. The previous energy crisis resulted in higher inflation than in other countries and only a modest decline in GDP.

Unemployment remained under control throughout, and fiscal support for households limited the economic impact on the downside, including during the 2022 energy shock. A real recession with lasting high unemployment never materialised. And last year's trade war did not result in a decline in export growth. However, these past episodes offer no guarantee going forward, and vulnerabilities remain with very low gas reserves.

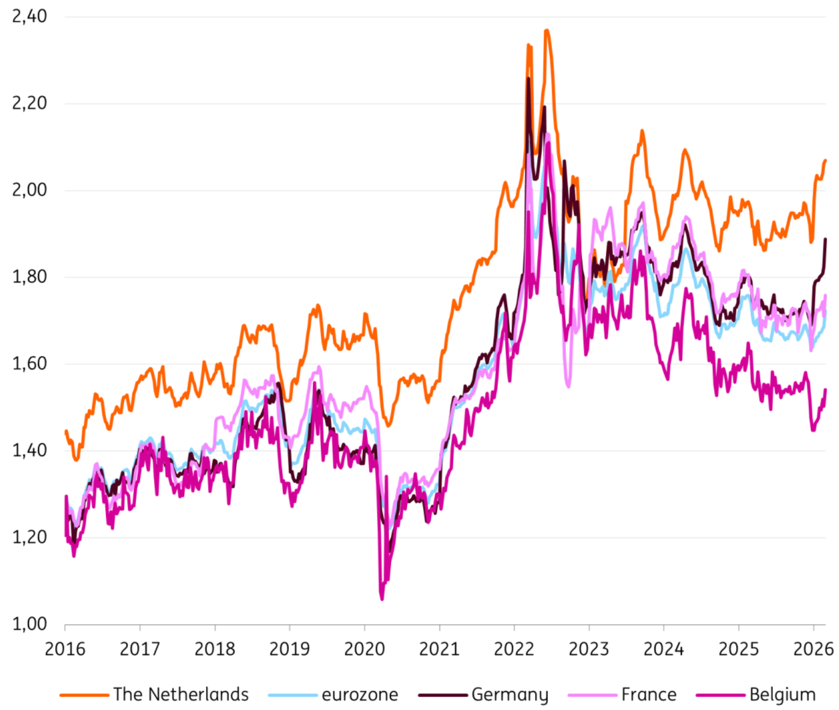
Dutch consumer finances resilient ahead of energy price jump

For consumers, expectations for the year were quite solid ahead of the war in the Middle East. Forecasts for unemployment remain, historically, very moderate. The Netherlands Bureau of Economic Policy Analysis (CPB) projects that many household categories will see a significant improvement in purchasing power this year, with a median increase of around 1.3%. This is partly due to government policy, but wage growth continues to outpace price increases. For a large group of pensioners, the transition to the new system is also positively affecting benefits.

But concerns about purchasing power are increasing due to the war. Higher (energy) inflation will put pressure on purchasing power growth. While we expect that a short conflict will ultimately only have limited effects on inflation – it almost certainly won't cause a repeat of double-digit inflation rates seen in 2022 – there's a risk of an inflation spike. This would have a more serious effect on purchasing power.

Gasoline prices in the Netherlands are relatively high

Gasoline price (Euro-Super 95 in € per litre)

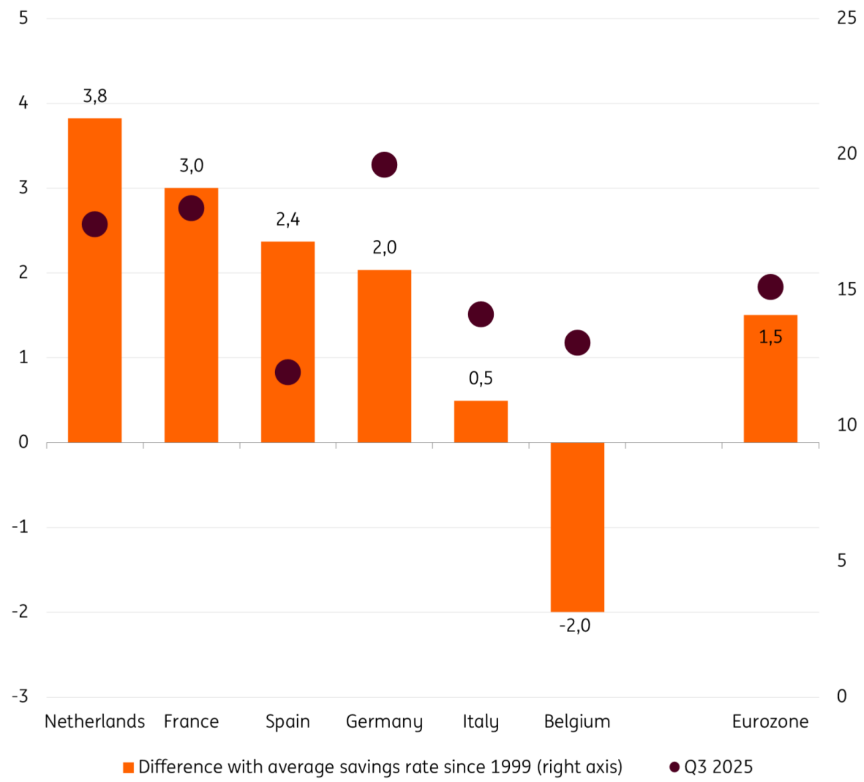


Source: Macrobond, calculations ING Research

Even if the direct price effect of the conflict remains limited, consumer confidence may take another hit. As the chart above shows, Dutch petrol prices are already elevated relative to peers, making higher prices a visible concern for consumers. Also, the household savings rate remains high compared to its long-term average. While structural limitations to leverage in the housing market and geopolitical tensions play a role, research suggests this is driven primarily by price perceptions. On average, wages in the Netherlands have caught up with prices. Yet the total consumer price level has risen more quickly than in other eurozone countries in recent years. As a result, the savings rate is currently higher than in most large eurozone countries.

Savings rate of households in the Netherlands more elevated compared to the past

% of disposable income of households that his not consumed



Source: Macrobond, calculations ING Research

Concerns about prices and geopolitical developments could be exacerbated if the conflict escalates, making this a clear fear factor for Dutch consumers. The result could be more muted consumption growth, in addition to the direct drag from higher energy prices. However, in the case of a short conflict, we expect household consumption to grow by 1.5% this year. So overall, while the Dutch growth outlook was strengthening ahead of the war's onset, downside risks have become more pronounced in an otherwise resilient economy.

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