

Dutch high street flourishing, with a boost from consumers in 2025

Dutch retail sales are forecast to grow by 3.5% this year. With improved purchasing power and higher prices more entrenched, consumers are spending more on the high street this year. Nevertheless, these remain challenging times for retailers, especially in the non-food segment.

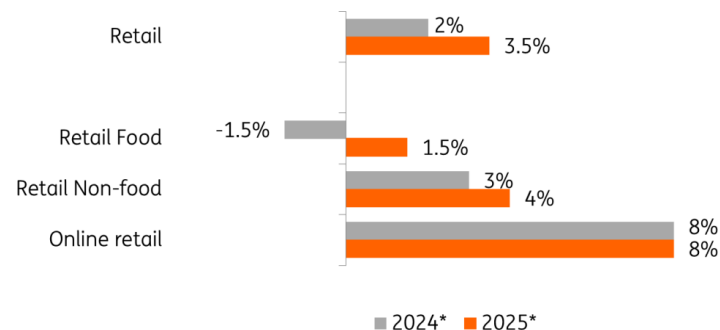


More shopping appetite in 2025, but still not exuberant

Retail sales are forecast to grow by 3.5% this year in the Netherlands, which is higher than the 2% growth in 2024. With the loss of purchasing power now largely reversed, and with consumers now more accustomed to higher prices, consumers are expected to loosen the reins a little this year and increase their spending on the high street. All segments are contributing to growth.

Higher retail sales in the Netherlands in 2025

Retail sales, year-on-year



Source: CBS, *forecasts ING Research

Food retail sales set to grow slightly in 2025

The food segment is expected to show sales growth of 1.5% this year, after the small dip last year which was the first decline in 20 years. Due to the tobacco ban that came into effect halfway through the year, supermarkets lost around 1.7 billion euros in sales in 2024, while (tobacco) specialty stores gained a lot of sales. Even in the first half of this year, supermarkets' sales development is still negative due to the tobacco ban. As consumers are expected to buy more products in the supermarket at higher prices and, in addition, the tobacco effect will also be out of the figures in the second half of the year, sales growth is set to turn positive again in 2025.

4% turnover growth for retail non-food

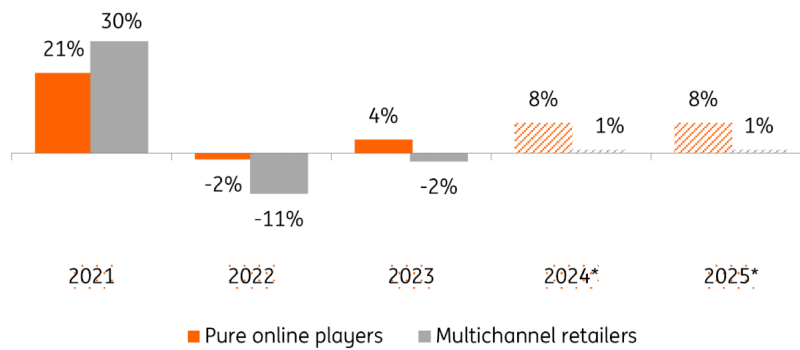
For retail non-food, we expect sales growth of 4% in 2025. Like last year, consumers are set to spend more on personal care products in particular. The recovering housing market should help the shrinking turnover of home furnishing shops move into slight growth this year. The DIY segment also benefits from this. In fashion, market conditions remain challenging. Mid-market fashion chains in particular face tough competition from cheaper fast fashion brands like Primark, Zara and H&M, the second-hand market, and cheap Chinese online retailers like Shein and Temu.

8% sales growth expected for e-commerce in 2025

E-commerce sales are expected to grow by 8% again this year. In doing so, pure online players continue to outperform the multichannel retailers which sell online in addition to a physical store. Last year, pure online players realized 8% higher turnover on average, while multichannel revenue only grew by 1%. This is mainly because consumers still buy relatively more often in physical shops than through retailers' online sales channels. This applies in particular to clothing stores that sell both physically and via the online channel.

In 2025, online retail sales from purely online players boom again

Online revenue growth, year-on-year



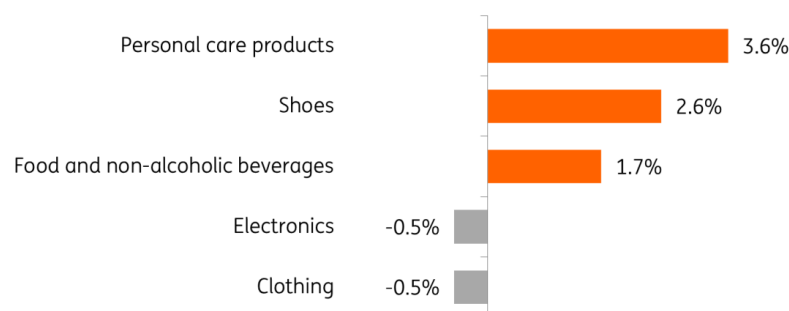
Source: CBS, *forecasts ING Research

Biggest price increases look to be over

The biggest price rises in the retail sector now appear to be behind us, although that does not mean that all price rises are over. Last year, goods became 1.5% more expensive on average, particularly personal care products, such as shampoo and perfume (+3.6%) and shoes (+2.6%). Food and non-alcoholic beverage prices rose on average by 1.7%. Clothing (-0.5%) and electronics (-0.5%) became slightly cheaper than a year earlier. This year prices are expected to rise at similar rates to last year.

Personal care products in particular got pricier last year

Consumer prices in 2024, year-on-year



Source: CBS, ING Research

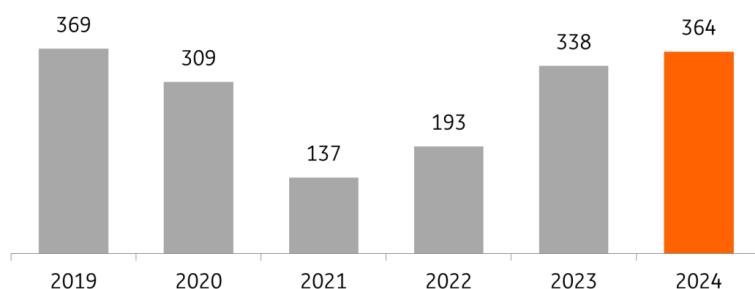
Many bankruptcies in non-food

In 2024, 364 retailers went bankrupt, 8% more than in 2023. A majority of the bankruptcies involved physical shops in non-food. Last year, for instance, Blokker, Bristol, The Body Shop, Adam Brandstore and Game Mania, among others, went bankrupt. There were also significantly more

business closures last year. Three-quarters of the business closures involved online shops. The number of online shops has doubled in five years, from approximately 53,000 in 2019 to over 106,000 in 2024. Some of these realise minimal sales and are voluntarily discontinued.

High street saw a surge in bankruptcies in 2024

Number of bankruptcies in retail (excluding cars) per year



Source: CBS, ING Research

Investing in innovation necessary, but not always feasible

Many retail bankruptcies are still a consequence of restrictions implemented during the coronavirus pandemic. Thanks to government support, chains that were already in dire straits before the pandemic were also kept alive. Now that government support has ended and corona-related debt has to be repaid, we argue that most of these companies will not survive. The expectation for this year is that the number of business closures and bankruptcies in the non-food retail sector will continue to increase. Strong cost increases are putting pressure on profit margins at many retailers. Retailers with outdated business models are unable to invest in staff and store renewal due to their poor financial position, putting them at a disadvantage compared to retailers who do invest.

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