

Dutch manufacturing slips back into stagnation

After a brief rebound driven by frontloading, the Dutch manufacturing sector has returned to stagnation. For the third year in a row, no production growth is expected. Geopolitical tensions, trade uncertainty and high energy costs continue to weigh heavily on this export-driven industry



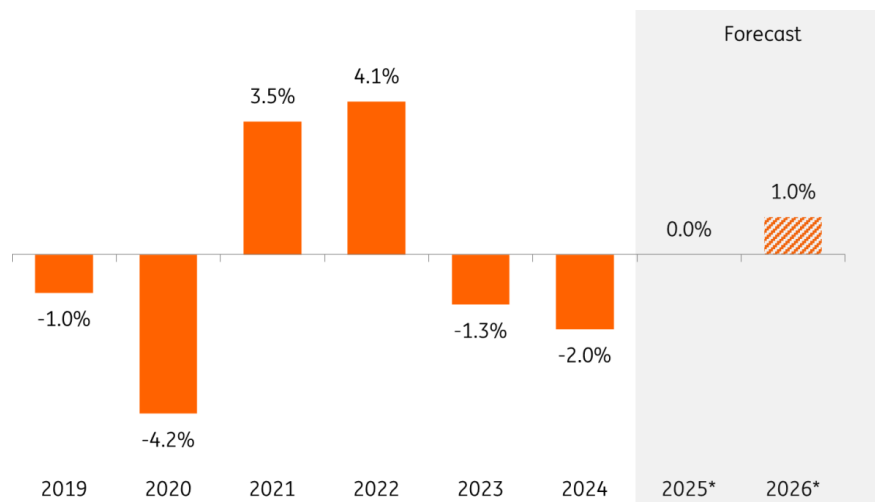
For the third year in a row, no production growth in Dutch manufacturing is expected

Growth at a standstill until 2026

The continuing uncertainty over US import tariffs is detrimental to producer and consumer confidence, dampening global trade growth and weakening demand for Dutch goods. Postponing the 9 July tariff deadline does not equate to a cancellation. Still, rapidly increasing defence spending, large-scale German government investments and increasing demand for chip machines provide encouraging signals. Moreover, consumer purchasing power is recovering this year from the inflation shock and is expected to increase further in 2026. The outlook for industrial growth is therefore more positive for 2026 than for 2025, provided that a deal with the US can be secured to foster more favourable conditions.

Industrial production growth not expected to resume until 2026

Volume growth of output of Dutch manufacturing



Source: Statistics Netherlands, ING Research

*ING Research estimate; output at basic prices (2021 price level)

Dutch manufacturing to be hit hard if trade deal fails to materialise

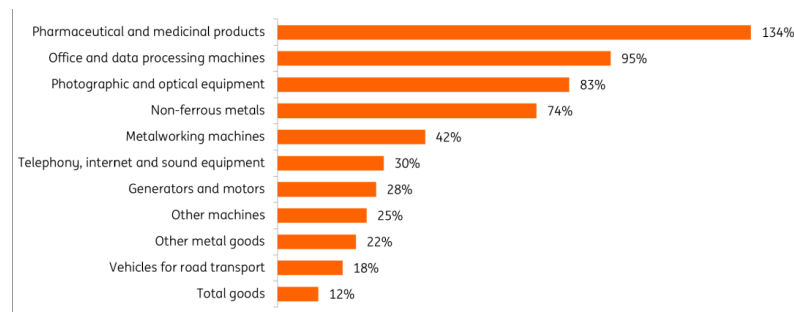
The absence of a trade deal would drive up costs for producers and consumers, assuming that the EU then takes targeted retaliatory measures for high US tariffs. For manufacturing, this would also mean additional pressure on demand for goods from the US. The sector will be hit hard by persistently high US tariffs. The US is the largest export market for European products, accounting for 20% of exports to non-EU countries. For the Netherlands, the direct share is smaller - around 7% - yet the US has still been a key growth market in recent years for both. Those days seem to be over for now.

Pharma shows record growth in first quarter

The year started remarkably well, with production rising by 0.8% quarter-on-quarter, the strongest growth in nearly three years. This trend was visible throughout the EU. The pharmaceutical industry led the charge, with production increasing by 30% compared to the last quarter of 2024. The main driver was export growth to the US, where shipments of medicines and other medicinal products quadrupled year-on-year and were almost 1.5 times higher than in the fourth quarter of 2024. Exports of machinery, equipment, and metal products also saw significant gains across the Atlantic.

Pharmaceuticals, machinery, equipment and metals in particular benefitted from frontloading

Dutch export growth to the US, 1Q25 vs. 4Q24*



Source: Statistics Netherlands, ING Research

*Year-over-year growth in export value in percentage points; only subcategories that generated at least €150 million in export value to the US in 2024 are shown.

First-quarter growth is not representative of the rest of the year

However, this growth is not expected to set the tone for the remainder of the year. American importers temporarily bought more, anticipating an increase in import duties. The expected dip that followed the US inventory build-up was already visible in April, despite the postponement of the 'reciprocal' tariffs of 20%. For example, US imports were 20% lower in April than in March, after 18% growth in the first quarter. This resulted in an industrial production contraction of more than 1% in April, largely wiping out the first-quarter growth.

Tariffs will continue to put pressure on demand in 2025

For a sustained recovery, some calm will have to return on the tariff front. The negotiations between the EU and US are crucial for this. But even in the case of a trade deal based on the British example, import duties are expected to remain at the current average rate of around 10% to 15%. Higher rates may continue to apply to specific products, such as the current 25% levy on cars and car parts and the levy on steel and aluminium, which doubled to 50% at the beginning of June. In addition, sectoral import duties of 10% to 25% are likely to be in the pipeline for specific products, such as trucks, medicines and aircraft.

Supply chain disruptions could hinder recovery later

In addition, the US tariff measures have led to strong movements in demand and a diversion of trade flows. The unpredictability in supply chains as a result of the new charges is causing additional delays at ports, and logistical challenges for carriers. Supply chains are intertwined worldwide. As the recent past has shown, logistical disruptions are often persistent and shifting policies, layered on top of existing inefficiencies driven by geopolitical tensions, add extra pressure. When demand picks up again, this can lead to persistent production delays at industrial companies. In addition, the increasingly extensive Chinese production of all kinds of products – from steel and chemicals to machines and cars – is finding its way to the European market due to the trade war, putting further pressure on sales prices.

Better prospects driven by German investment...

Two bright spots are the extensive German investment package and the sharply rising European defence spending. In the coming years, industry will reap the benefits. Dutch manufacturing is well-positioned to capitalise on the renewed momentum of its most important trading partner. The Dutch purchasing managers' index also points to new growth potential. In June, it reached its highest level in 13 months.

Due to the economic situation, producers and consumers in Germany, as in the Netherlands and many other European countries, are still not very optimistic. However, the mood of German producers has brightened a little. Although confidence is still low, they are slowly shaking off the crisis atmosphere of recent years due to government plans for investment in infrastructure improvements, such as transport, energy and digitalisation.

... and sharply increasing defence spending

The European Commission's €800 billion defence investment plan is poised to stimulate industrial growth in the Netherlands over the coming years. Nato's new commitments - to allocate 3.5% of GDP annually to defence and 1.5% to defence-related spending - underscore the scale of this strategic shift. According to a recent estimate, the Dutch defence industry's turnover almost doubled over just three years to €9.3 billion in 2024. This represents 1.9% of total industrial turnover. If defence spending rises to 3.5% of GDP, the sector could then expand to over €16 billion, representing about 3.4% of total industry output, assuming constant proportions. Although limited in terms of share, defence companies are making a substantial contribution to renewed industrial growth amid the current stagnation. Despite the strong headwinds this year, the upward trend is therefore within reach for the sector.

You can find the full version of this study in [Dutch here](#).

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