Dutch retail sales volumes expected to shrink for the first time in a decade

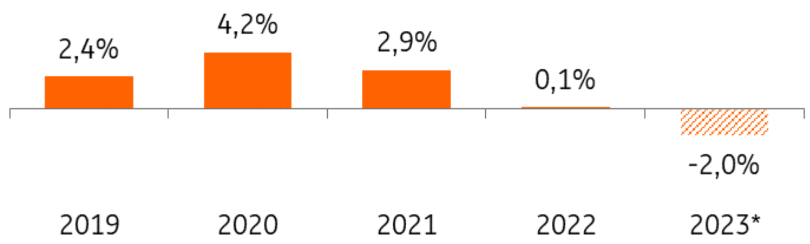
Retail sales volumes in the Netherlands are expected to contract by 2% in 2023 for the first time in a decade. In addition to higher wages and purchasing costs, staff shortages are limiting growth for many retailers. Retail bankruptcies are expected to increase in 2023, especially in the more cyclical non-food segment

Slight contraction in 2023

These are challenging times for retailers, with high inflation and low consumer confidence. Retail sales volumes in the Netherlands are expected to decline by around 2% in 2023 for the first time in 10 years. This is mainly due to a sharp fall in sales in the non-food segment, which is most sensitive to the economic cycle. Despite a contraction in retail sales, we expect turnover to grow by an average of 5%. The higher turnover is almost entirely due to higher retail prices.

Retail sales volume in the Netherlands is expected to shrink in 2023

Retail sales volume in the Netherlands, year-on-year



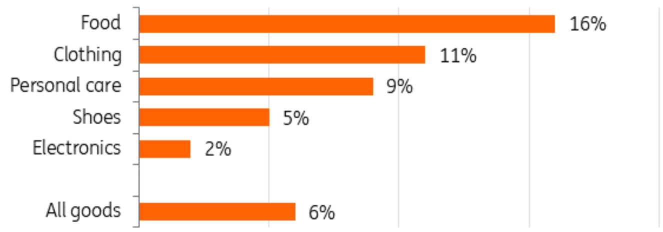
Source: Source: CBS, forecast 2023 ING Research

Food and clothing are now significantly more expensive

During the first seven months of 2023, food prices increased by an average of 16%. Clothing also became considerably more expensive at 11%, as did personal care, such as shampoo and perfume, with an increase of 9%. Although the largest price increases are probably behind us, inflation remains relatively high this year, at around 4.5%.

Strong price increases for food and clothing in the first seven months of 2023

Average consumer prices from January to July, year-on-year



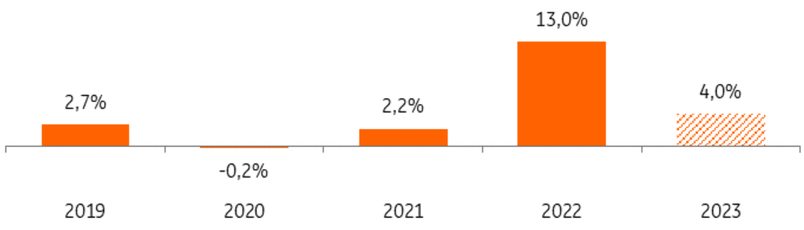
Source: Source: CBS, ING Research

Consumers cut back on non-essential spending

Due to high inflation and persistently low consumer confidence, consumers are cutting back their purchases, especially when it comes to non-essential goods such as home furnishings and electronics. As a consequence, retail sales in practically all non-food segments have fallen sharply compared to 2022, when the high street was still catching up after the pandemic. Volume shrinkage is expected in all non-food segments, except personal care. The largest contraction has occured in home furnishings and electronics stores.

Significantly lower sales growth for non-food retail in 2023

Sales growth (value) in the Dutch non-food retail sector, year-on-year



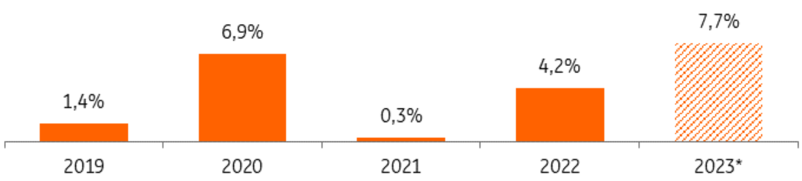
Source: Source: CBS, forecast 2023 ING Research

Food purchases are shifting from specialty stores to supermarkets

In terms of turnover development, 2023 is a big year for food retail entrepreneurs with expected growth of almost 8%. However, this is purely and solely due to higher prices. Higher costs for personnel, purchasing, energy and transport give ample reason for adjusting the prices on the shelves. Just like in 2022, sales will shrink this year because consumers are buying less. Due to the high inflation, consumer spending is also shifting from specialist shops to supermarkets and from premium brands to supermarket own-label products.

Sales growth peaks in 2023 in Dutch food retail

Sales growth (value) in Dutch food retail, year-on-year



Source: Source: CBS, forecast 2023 ING Research

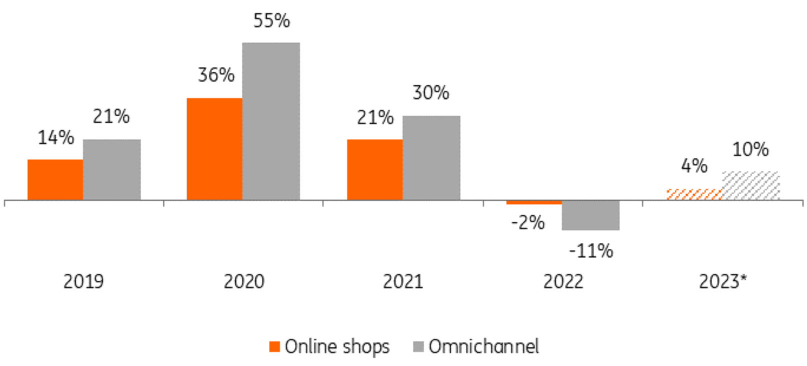
E-commerce returns to calmer waters

After the turbulent pandemic years, e-commerce has returned to calmer waters in 2023. A turnover growth of 4% in online purchases is expected for 2023, after a slight decrease in 2022. With the disappearance of lockdowns at the beginning of 2022, purchases that had been made online were taking place in physical stores again. Nevertheless, it is expected that in the years ahead there will be a further shift from physical to the online sales channel. Not only because consumers have experienced the convenience of online shopping, but also because retailers more often have an omnichannel strategy, in which they often offer a smaller range in store than online.

In addition, a shortage of staff may have an impact on the service provided in physical stores, as 40% of retailers are still experiencing staff shortages in the Netherlands.

Strong fluctuations in online sales growth

Sales growth (value) online shops and omnichannel, year-on-year



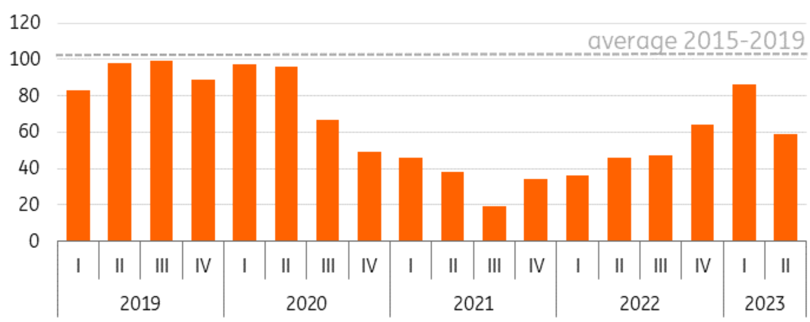
Source: Source: CBS, forecast 2023 ING Research

More bankruptcies expected in 2023

In addition to higher rents, which are often increased on the basis of inflation, retailers are faced with higher energy, purchasing and staffing costs. On top of that, they also have to repay the tax debt accrued during the pandemic. This puts further pressure on the viability of an increasing number of stores. It is therefore expected that the number of business closures and bankruptcies in retail, especially in the non-food sector, will be higher this year than in previous years when the number of bankruptcies was at an extremely low level.

More bankruptcies on the high street since the end of 2022

Number of bankruptcies in the Dutch retail (excluding car sales), per quarter



Source: Source: CBS, ING Research

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