Trade war set to hit Dutch growth and investment amid solid domestic demand

Dutch GDP is projected to show solid growth in 2025, followed by mediocre growth in 2026. The trade war and front-loaded transport equipment purchases will hit exports and investment, while the restoration of gas reserves should boost imports in 2025. So, economic growth is mainly driven by consumption, government spending and inventory changes

A large container ship arriving at the Maasvlakte harbour in Rotterdam

The Dutch economy is projected to grow by a solid 2.1% in 2025, followed by a more subdued 0.8% growth rate in 2026. Consumption by households and the government provides the largest contribution, while uncertainty about US economic policy (trade in particular) and the resulting slowdown of worldwide growth is set to suppress exports and investment. Taken together, the projected economic growth for the Netherlands in 2025-2026 is expected to be slightly higher than for the eurozone due to stronger Dutch domestic demand.

Strong growth after energy crisis, but also high volatility with repercussions for the outlook

Since the second quarter of last year, Dutch GDP has had three quarters of solid growth and was already 1.3% higher in the fourth quarter than at the peak before the energy crisis. Underlying quarterly growth rates of several expenditures were more volatile recently than in other countries. This was due to factors specific to the Netherlands: 1) fiscally-driven frontloading of purchases of electric cars and especially of light transportation equipment, and 2) the large depletion of gas reserves. The earlier transportation equipment investment boom will weigh on investment growth in 2025, while an unusually high gas restocking will suppress GDP by raising imports. This, combined with some pessimism about the effects of the trade war, explains the out-of-consensus call for a relatively high GDP growth rate for 2025 and relatively low growth rate for 2026.

Despite low confidence, consumers expected to buy more, thanks to real income growth

ING transaction data has indicated moderately growing nominal discretionary spending by households for the first quarter of 2025. Household spending growth this year and next is being supported by income growth that is outpacing inflation, as well as government measures that are boosting purchasing power, though it is somewhat restrained by low consumer confidence. Confidence is primarily low due to perceptions about high prices and is being somewhat held back by concerns about geopolitical developments.

Trade war important drag on growth

Uncertainty surrounding economic forecasts is high amid geopolitical and resulting financial market turmoil, but in the absence of a recession in the US, Dutch exports are still expected to expand. While we assume a little bit of frontloading in deliveries to the US in anticipation of import tariff hikes on EU products, bilateral trade data from December 2024 to February 2025 so far do not paint a very clear picture of whether Dutch exporters substantially engaged in this type of behaviour. Trade weakness is expected to kick in as of 2Q25. For the Netherlands, we have estimated the direct negative trade effect (both direct and indirectly via other economies) from the current scenario of US import tariffs on European products to be -0.1% GDP for the short run (which could deteriorate to -0.3% over time when American purchasers find new domestic substitutes). On top of this direct trade exposure effect, which is a little bit less severe than for the eurozone on average, we have subtracted negative wealth and confidence effects from our GDP forecasts in 2025-2026. These effects are mostly visible in the 2026 growth numbers. Late in this forecast horizon, there might be positive spillovers from looser fiscal policy from Germany and defence spending in the eurozone, which may boost Dutch exports, but these are expected to kick off slowly and to be limited in size initially. Generally, in 2025 and 2026, import growth is likely to be stronger than export growth, due to faster domestic demand.

While investment growth should resume, expect large effects from frontloading and (gas) inventory adjustment first

Businesses are expected to continue to reduce inventories slightly during 2025, while moderately restarting an expansion of investment in productive capital as of 2Q25. As (gas and transportation equipment) inventories contracted significantly in 4Q24 (and due to the way national accounts booking works), this will result in a very large contribution of inventory investment to GDP growth in early 2025. Investment in real estate is benefiting from the more favourable development of construction permits and rising property prices, while public investment in infrastructure and defence will also increase. The energy transition is also adding to investment growth, via more expenditures on, for example, the energy grid, electric vehicles, heat pumps, solar panels, and windmills.

Scarcity remains, also in the labour market

As increases in structural labour participation rates among the young and elderly are decelerating, the growth of labour supply is slowing. This, combined with slower population growth, the effects of an ageing workforce, and the expansion of the semi-public sector, keeps the expected increase in the unemployment rate limited to 3.9% in 2025 and 4.1% in 2026, despite moderate external demand and the presence of more firms. Beyond the scarcity of skilled labour, additional constraints on the economy's growth capacity include shortages of electricity and drinking water (linked to grid connections), limited availability of building permits, and restrictions on pollution emission allowances.

Inflation unlikely to fall below 2% even for 2026

While selling price expectations are still above historical averages, the profitability of businesses is expected to fall from its current historical height. This is due to a continuation of high, albeit slowing, wage cost growth in 2025 due to a broad-based lack of personnel. Headline HICP consumer price inflation remains above the normal pace, at 3.1% year-on-year in 2025, falling to 2.5% in 2026. The high wage cost increase (of 4.5%-5% for contractual wages) is keeping service inflation higher for longer, while international wholesale market developments have recently kept Dutch food inflation above 2%. Headline inflation figures for 2025 are still boosted by earlier policy measures (e.g. excise taxes on alcohol, beverages, and tobacco and charges for infrastructure) and in 2026, by the normalisation of the fuel tax.

Given the scarcity of housing in the country, home rents were expected to provide a considerable contribution to inflation too going forward. But recent media reports about the government's discussion on the budget for 2026 suggest that this may play out somewhat differently than expected. It has been suggested that social housing rent increases could be capped at 0% for 2025 and 2026. Meanwhile, the regulation of the commercial rental housing sector could be liberalised further. It also now seems that the intended hike for 2026 in VAT on sports, media and cultural services is unlikely to go ahead.

Trade war main risk to the outlook

To sum up, a moderately positive outlook remains in place for Dutch GDP. The most prominent risk to the Dutch economy is the uncertainty of the trade war. Trade barriers reduce efficiency while uncertainty hurts confidence, spending, and potentially affects financing costs and stability. A recession in the US would hurt global demand and Dutch exports and investment. If such a scenario were to play out severely, it could increase business closures, raise unemployment, and hit consumer spending in the Netherlands. Given the mediocre (but not crisis-level) projections of the base case, there are risks to the upside, too. In particular, there is the potential for domestic consumers to lower their currently elevated savings rate, once an improvement in confidence allows it.

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