

## Dutch economic sentiment improves while consumer pessimism grows

Economic sentiment in the Netherlands has improved, driven by increased optimism in the manufacturing and retail sectors. However, consumer confidence remains relatively low and has declined further this month. Despite this, willingness to buy seems to be somewhat better than consumer confidence suggests



While economic sentiment in the Netherlands improved in February, consumer confidence is deteriorating

### Improvement in manufacturing and retail

Economic sentiment in the Netherlands improved in February, rising to 100.3 from 99.5 in January, a level close to its historical average and above the value (96.3) for the euro area as a whole, according to the [European Commission business and consumer survey](#) published today.

This is consistent with GDP growth at a normal pace. While Dutch manufacturing and retail became more upbeat in February, commercial services were slightly more pessimistic. Retail sentiment improved, especially upon higher expectations for orders and employment, while increasing sentiment in manufacturing was driven by the assessment of the stock of finished products.

Consumer confidence dropped considerably, with February marking the fourth consecutive month

of deterioration.

## Construction is upbeat

Comparing sentiment indicator levels to a sector's historical average, it is apparent that (among the aggregated sectors) the construction sector is currently most upbeat. This is likely related to the number of construction permits, which has been rising considerably lately. Industry and commercial service are close to normal sentiment levels, while retail sentiment and consumer confidence are low from a historical perspective.

## Strikingly low consumer confidence due to negative assessment of economic climate

What really stands out in the survey data is the low consumer confidence level. Yet, the consumer is crucial for our economic outlook as we see household consumption as one of the main drivers of GDP growth in the quarters ahead. We are counting on income outpacing inflation. But consumption growth also requires a consumer who is willing to buy.

While confidence is not at crisis levels, it is more than one standard deviation below its long-term average. Consumers still see the economic climate as negative, even though the Dutch economy left its shallow recession in the second quarter of 2024. Examining the shifts in consumer confidence over the past few months, we observe that the most significant declines were in responses to questions regarding expectations for the economic climate and anticipated price developments over the next 12 months.

## Consumer perceptions affected by price perceptions

While it is challenging to fully understand all the factors influencing consumers' economic assessments, beliefs about prices appear to be particularly significant in explaining the recent low levels of confidence. This is supported by studies from the European Commission and the OECD on European consumers, as well as [our own survey among Dutch consumers](#).

## Geopolitical developments may explain recent deterioration

Although expectations regarding their financial situation and the assessment of the next 12 months as a favourable time for large purchases have also deteriorated, these changes have been more modest compared to the declines in economic climate and price expectations. We speculate that recent geopolitical developments may partly explain these changes in consumer confidence, affecting perceptions more than actual willingness to buy. Consider the uncertainty caused by threats of trade tariffs and subsequent announcements of planned changes to US international trade taxes, which have received extensive media coverage.

Consequently, the European Commission's survey today indicates that the consumer uncertainty index rose in February to its highest level since November 2023, suggesting that consumers find it more challenging to predict their financial situation. While this could potentially make consumers more cautious, it does not necessarily erode (and has not significantly eroded so far) their willingness to buy.

## Willingness to buy seems better than composite consumer confidence indicator suggests

Indeed, the situation is not as dire as the low composite consumer confidence indicator suggests. Consumers feel more positive about their own financial situation compared to the economic climate and are not overly concerned about rising unemployment. This aligns with recent strong contractual wage increases (the latest reading being 5.6% year-on-year), the low unemployment rate of 3.8% in January, and the rise in the number of vacancies in the fourth quarter of 2024 after a three-year decline.

This may also explain why the assessment of the next 12 months as a favourable time for large purchases remains somewhat above historical averages and why household consumption grew in four of the last five quarters. Therefore, we maintain our view that household consumption will continue to grow throughout 2025 (excluding a one-off decline in the first quarter due to car purchases being brought forward to 2024 in anticipation of subsidy terminations), helping GDP return to a more normal annual growth rate this year.

### Author

#### Marcel Klok

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).