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THE NETHERLANDS

Mild increase in Dutch inflation, for now

Headline inflation in the Netherlands nudged up slightly in March to 2.6% YoY, from 2.3% YoY in February. However, this mild rise likely understates what lies ahead, as higher energy prices have yet to feed through, given the infrequent, pre-announced adjustments in most household energy contracts



Most consumers are still temporarily insulated from big energy price spikes

Unsurprisingly, the harmonised HICP inflation rate in the Netherlands rose on the back of increased energy and fuel prices, to the highest level since October 2025. Similarly to the harmonised HICP inflation rate, the nationally focused inflation rate CPI rose by 0.3 percentage points, increasing from at 2.4% YoY to 2.7% YoY. It benefited from the deflation of consumption abroad (-0.5%YoY), but less so than in February.

Energy and fuel went from 0.0% YoY inflation in February to 6.6% in March. Clearly, this is only the beginning of the higher cost of living that is yet to hit most consumers, as energy prices on wholesale markets have spiked much more since the war in Iran.

A large proportion of Dutch consumers are temporarily insulated from this spike, as 53-56% of Dutch households have an energy contract with fixed prices, according to data from the supervisor ACM. While dynamic contracts have become more popular over the last few years, only 6-8% choose to expose themselves to intraday changes in prices. The remaining 53-56% have a variable rate contract, for which the maximum frequency of price changes per year is stipulated. In practice, at least for some small energy providers, this is often a maximum of four specific dates (1 January, 1 April, July and 1 October), as the ACM provides such a model contract that many of these smaller producers adhere to. Market leaders have to provide such model contracts too, but their marketing often favours different contracts with their own specifications.

More processed food inflation

Apart from energy and fuel, food, beverages, alcohol, and tobacco inflation also rose in the Netherlands, from 1.4% in February to 1.9% in March, breaking its downward trend due to more price pressures in processed food. Although some food production is energy-intensive, this March price increase is not due to the knock-on effect from higher energy prices yet, as such effects tend to come at a lag of several months.

Core inflation falling, but not yet where it should be

Core inflation brought good news, as these less volatile items that exclude energy, food, alcohol and tobacco decelerated from 4.2% inflation in February to 3.5% in March. This was a big thanks to services, for which inflation came down from 4.2% inflation in February to 3.5% in March. This is encouraging since services represent almost half (47%) of the HICP consumption basket, while price pressures in this category remained stubbornly high for a long time. In fact, it was the lowest service inflation recorded since September 2025. Another positive for consumers: industrial goods (excluding energy) remained at a low 0.4%.

Risk of more inflation

With core inflation continuing on a downward path for now, it will be all about energy prices from now on. With these price hikes gradually reaching more consumers, headline inflation should shoot up further in the months to come. Obviously, uncertainty about the war in Iran also means a lot of uncertainty for inflation. In our existing base case of Brent oil falling to \$70/bbl and TTF gas to €28/MWh, we are forecasting 2.7% HICP inflation for the year 2026 (and 3.0% for the national CPI). Currently, these prices are still considerably higher than that. That leaves the door wide open for our alternative adverse scenario.

The European Commission's survey shows that consumers are very afraid of such a scenario, as the indicator of their inflation expectations have surged to the highest level since March 2022. And according to the selling price expectations of Dutch businesses from the same survey, this is quite justified, since businesses surveyed in March had the highest price

expectations for the months ahead since April 2023. So, we are keeping the door open for upward revisions.

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