Inflation in the Netherlands up in February

Dutch headline inflation ticked up in February, from 2.2% YoY in January to 2.3%. This was due to an increase in core inflation to 2.7%, caused by an unanticipated acceleration in service inflation. Together with new upward pressure on energy prices, the HICP inflation looks likely to now come in above the 2% target in 2026, instead of just finishing below it

Dutch headline inflation ticked up in February due to an unanticipated acceleration in service inflation

Acceleration in services

While the harmonised HICP inflation rate in the Netherlands increased, the nationally focused inflation rate CPI stayed constant at 2.4% year-on-year. The latter benefited from deflation of consumption abroad.

Most importantly, services prices were to blame for the acceleration of both core and headline HICP inflation in February, as the other broad consumption categories showed disinflation. Services inflation jumped from a considerable 3.6% YoY in January to an even more elevated 4.2% in

February. While wage costs and home rents have already been keeping this measure higher for longer in recent months, we will have to wait a bit longer to be able to draw conclusions from more disaggregated data to see which services caused the acceleration in February.

Deceleration in everything else

But not all inflation measures went up. In fact, in line with price developments on the international wholesale market of raw foodstuffs, food, beverages, alcohol, and tobacco, inflation in the Netherlands continued on the rapid deflationary path, coming down from 2.0% YoY in January to 1.4% in February. Non energy industrial goods inflation fell from an already modest 0.6% to an even lower 0.4% in January, facilitated by significant decreases in goods import prices. For eight consecutive months, the YoY development of prices of produce coming from abroad was negative. Finally, energy including fuel was at a similar price level than 12 months earlier, also constituting a deceleration from 0.3% inflation in January.

The Netherlands now less likely to fall below 2% in 2026

Despite the stubbornness of service inflation, core inflation still looks set to fall during the course of 2026. The European Commission's survey points in that direction, as selling price expectations of Dutch businesses for the months ahead fell in February to the lowest level in four months time. But that was before the military strikes in Iran. Depending on the scope and duration of the conflict, this will likely raise oil and gas prices, which increases the fuel bill for consumers – and eventually, their energy bills too.

The conflict also raises the risk of higher shipping (insurance) costs and supply chain disruptions and may weaken the purchasing power of the euro against the US dollar, albeit only for a short while. All of this suggests that the likelihood of our previous scenario for the headline HICP inflation rate in the Netherlands coming in just below the 2% eurozone target for the full year 2027 has decreased.

Author

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com