

IMF Executive Board Concludes 2025 Article IV Consultation with Kingdom of the Netherlands—the Netherlands

July 21, 2025

- Domestic demand is projected to drive growth even as trade tensions affect momentum, and growth is expected to reach 1.1 and 1.2 percent in 2025 and 2026. Downside risks dominate, mainly from escalation of trade tensions and domestic policy uncertainty.
- Fiscal policy should pivot from stimulating demand to expanding supply, by investing in infrastructure, education, and R&D, fostering investment to increase the housing supply, and implementing growth-enhancing tax reforms.
- Reforms should aim to address growth bottlenecks from nitrogen and electricity grid congestion, increase labor input and firm productivity, expand the availability of SME financing, and effectively manage the green and demographic transitions.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) completed the Article IV consultation for Kingdom of the Netherlands—the Netherlands on July 16, 2025.^[1] (#_ftn1)

The Dutch economy is among the most developed globally and has drawn strength from integration in global value chains. It has weathered shocks well, yet its resilience is being tested, again—this time by a confluence of trade tensions and domestic policy uncertainty. The economy is at capacity, with elevated inflation, and facing binding constraints in the labor market, housing, emissions space, and the electricity grid. Futureproofing the economy will require policies that tackle these bottlenecks and align with a long-term vision for sustainable growth.

Domestic demand will drive growth, supported by solid household purchasing power, even as trade tensions affect momentum and dampen external demand, investment, and confidence. Inflation is expected to continue to moderate and converge to target in late 2026. Amid high uncertainty, downside risks dominate from further escalation of trade conflicts and a prolonged political impasse.

Executive Board Assessment^[2] (#_ftn2)

Executive Directors welcomed the Dutch economy's resilience to recent shocks, underpinned by strong fundamentals. They noted, however, downside risks—stemming from rising trade tensions and domestic policy uncertainty—as well as increasingly binding structural constraints. While domestic demand is expected to support growth, elevated uncertainty will likely dampen external demand and hold back investment. Directors encouraged implementing supply-side policies and reforms to boost productivity, tackle bottlenecks, and enhance sustainable, long-term growth.

Directors concurred that fiscal policy should pivot from stimulating demand to increasing supply, given that real household incomes now exceed pre-pandemic levels, and the economy is operating at capacity amid elevated inflation. They emphasized the importance of boosting supply capacity by investing in infrastructure, education, R&D, fostering private investment in housing, and implementing growth-enhancing tax reforms. In this regard, implementing the capital taxation reform and further rationalizing tax expenditures would also reduce distortions and enhance efficiency and equity. While noting the Netherlands' strong fiscal position, Directors agreed that addressing medium-term spending pressures through structural fiscal reforms in pensions, health care and climate would increase room to maneuver.

Directors welcomed the financial system’s resilience, supported by ample buffers. Noting that risks are elevated and have risen, they emphasized the need for continued vigilance, including during the pension fund transition. Directors also encouraged closely monitoring the residential real estate market and recalibrating borrower-based macroprudential measures as needed. Increasing housing supply is key to boost affordability, facilitate access to the property ladder, and reduce banking and insurance risks from mortgage exposures. Directors supported ongoing efforts to adapt supervisory approaches to evolving risks, and to ensure supervisory authorities’ access to granular data and operational readiness of resolution plans and crisis preparedness and management—in line with 2024 FSAP recommendations.

Directors urged the authorities to address critical bottlenecks to growth. In this regard, they emphasized the importance of developing a strategy to reduce nitrogen depositions and accelerating plans to address electricity grid congestion.

Directors emphasized that structural reforms complementary to EU initiatives are needed to support productivity, human capital, and potential growth. Reforms that help boost investment would also contribute to rebalancing the external position. Directors underscored the need for labor and human capital reforms to improve educational outcomes and vocational training, reduce labor market duality, and better integrate migrants. They highlighted other productivity-boosting measures including enhancing business dynamism, encouraging productivity-enhancing investment through improved access to finance for SMEs, and promoting productivity spillovers. Directors supported assessing and managing the distributional impacts of climate policies, including through the existing tax-benefit system, to secure public support for climate reforms.

Table 1. The Netherlands: Selected Economic Indicators, 2023-26

(Growth rates in percent, except where otherwise indicated)

	2023	2024	2025	2026
			Proj.	Proj.
National accounts				
Gross domestic product	0.1	1.0	1.1	1.2
Private consumption	0.8	1.2	1.1	1.3
Public consumption	2.9	3.6	2.0	1.0
Gross fixed investment	1.3	-0.5	0.3	1.2

Exports of goods and services	-0.5	0.4	0.6	1.6
Imports of goods and services	-1.7	0.3	1.0	1.8
Domestic demand (contribution to GDP growth)	-0.8	0.9	1.3	1.2
External demand (contribution to GDP growth)	0.9	0.1	-0.2	0.0
Output gap (percent of potential output)	1.4	0.7	0.2	0.0
Prices				
Consumer price index (HICP), period average	4.1	3.2	3.0	2.4
Consumer price index (HICP), end-of-period	1.1	4.0	2.5	2.0
Consumer price index (HICP), core, period average 1/	7.3	3.5	3.6	2.5
Consumer price index (HICP), core, end-of-period 1/	3.8	4.4	2.9	2.0
GDP deflator	7.3	5.2	2.7	2.2
Employment				
Employment	2.0	0.6	0.2	0.1
Unemployment rate (percent, ILO definition)	3.6	3.7	3.8	4.0

Balance of Payment (percent of GDP)

Trade balance (goods)	8.0	8.7	8.0	7.8
Current account balance	9.9	9.9	10.1	9.9

General government accounts (percent of GDP)

Revenue	42.8	43.0	42.8	43.0
Expenditure	43.2	44.0	45.0	46.0
Net lending/borrowing	-0.4	-0.9	-2.2	-3.0
Primary balance	0.1	-0.4	-1.6	-2.3
Structural balance 2/	-0.5	-1.4	-2.4	-2.3
Structural primary balance 2/	0.2	-0.7	-1.7	-1.5
Cyclically-adjusted balance 2/	-1.2	-1.4	-2.4	-3.0
General government gross debt	45.2	43.3	43.8	45.3

Sources: Dutch official publications, IMF, IFS, and IMF staff calculations.

1/ Core defined as headline inflation excluding energy and unprocessed food.

2/ In percent of potential GDP.

[1](#_ftnref1) Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] (#_ftnref2) At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.IMF.org/external/np/sec/misc/qualifiers.htm> (<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>)

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