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COMMISSION STAFF WORKING DOCUMENT

In-depth review for The Netherlands

Prepared under Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances

The Netherlands

In-Depth Review 2026

This in-depth review presents the main findings of the Commission's staff assessment of macroeconomic vulnerabilities for The Netherlands for the purposes of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances. It provides technical input to the Commission for the Communication "European Semester – 2026 Spring Package" that will set out the Commission's assessment as to the existence of imbalances or excessive imbalances in The Netherlands. That Communication will be

CONTENTS

1. INTRODUCTION 1

2. ASSESSMENT OF MACROECONOMIC IMBALANCES 3

2.1. External sector 3

2.2. Housing markets 7

2.3. Household debt 11

Conclusions 14

1. INTRODUCTION

This in-depth review (IDR) analyses the evolution of the Netherlands' vulnerabilities mainly related to the high current account surplus, household debt, and house prices. An IDR was carried out for the Netherlands in spring 2025, and in June 2025 the Commission concluded that the Netherlands was continuing to experience imbalances [1]. This year's IDR, which follows the 2026 Alert Mechanism Report (AMR) published in November 2025, assesses the persistence or unwinding of the vulnerabilities identified last year, potential emerging risks, and relevant policy progress and policy options that could be considered for the future [2].

The vulnerabilities in the Netherlands are analysed against the backdrop of modest economic growth. After a growth rate of 1.9% in 2025, real GDP growth is expected to slow to 1.3% in 2026 due to challenges impacting investment. Investment is predicted to contribute only slightly to growth, driven largely by public investment, while private investment remains weak due to global economic uncertainties and domestic challenges related to excessive nitrogen deposition and electricity grid congestion. Furthermore, imports are likely to outgrow exports in 2026, because of global economic uncertainties and domestic competitiveness issues, such as steady wage growth and relatively high energy prices, leading to a negative impact from net exports on GDP growth. Consequently, the modest economic growth expected in 2026 will primarily be driven by domestic demand, supported by steady wage growth boosting private consumption, alongside continued high government spending. The labour market is becoming slightly less tight, with the unemployment rate rising to 4.1% in 2026 up from 3.6% in mid-2024.

Inflation remains relatively high. Annual HICP inflation reduced to 3.0% in 2025 but remained above the euro area average of 2.1%. The sustained high inflation is attributed to rising costs in services, driven by wages and rents, and in processed food because of higher excise duties on products like tobacco.

The cut-off date for the data for preparing this IDR was 9 April 2026. Unless stated otherwise, all the forecast data used in this IDR were taken from the Commission's Autumn 2025 Forecast [3] to ensure the coherence of the various figures and calculations. However, if actual outturn data become available after the publication of the autumn forecast, that is used. Assumptions concerning energy prices, other commodities prices, and other general

(1) European Commission (2025), The Netherlands – In-depth Review 2025, Staff Working Document, SWD(2025) 71 final (published as European Economy, Institutional Paper 313, May 2025); and European Commission (2025), 2025 European Semester - Spring package, Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, COM(2025) 200 final.

(2) European Commission (2025), Alert Mechanism Report 2026, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, COM(2025) 956 final; and European Commission (2025), Alert Mechanism Report 2026, Staff Working Document, SWD(2025) 956 final.

(3) European Economy, Institutional Paper 327

assumptions were taken from the Autumn 2025 Forecast and do not reflect developments related to the war in the Middle East and its impact on energy prices [4].

(4) The Commission is assessing the sensitivity of Member States to major economic shocks originating abroad, including in the context the recent sharp increase in energy prices and trade tensions. The results of this analysis will be published in the forthcoming European Commission Institutional Paper dedicated to spillovers analysis that accompany the 2026 in-depth reviews.

2. ASSESSMENT OF MACROECONOMIC IMBALANCES

In recent years the Netherlands' economy has been marked by large current account surpluses, expensive housing, and a high but receding household debt. The current account surplus remains elevated at around 8% of GDP, though it has come down compared to 2024. The surplus is driven by a large gap between savings and investments, in particular due to high corporate net savings. House prices continue to increase due to strong demand in a supply-constrained market. The small and expensive private rental market has been further constrained by changes to rental regulations. The high household debt, incentivised by tax incentives for debt-financed home ownership, has been on a downward path, but remains the highest in the EU around 93% of GDP.

2.1. EXTERNAL SECTOR

Assessment of gravity, evolution and prospects of vulnerabilities

The Netherlands' current account surplus remains one of the highest in the European Union. In 2025, the surplus stood at 7.9% of GDP, down from 9.2% in 2024 [5], and above the level justified by fundamentals of 0.9% of GDP [6]. The surplus is expected to rise above 9% of GDP and remain elevated in 2026 and 2027, according to the Commission's 2025 Autumn forecast.

The high trade surplus is still the main driver of the current account surplus. The surplus in goods and services trade stood at 11.2% of GDP at the end of 2025, close to the level at the end of 2024 (Graph 2.1.a). Earnings from re-exports explain a substantial part of the surplus. Their share in the value of Dutch total goods exports stood at 40% in 2025, and they accounted for around 4.0% of GDP in the current account balance in 2023 [7]. In recent years, the effect of re-exports on the current account balance has been relatively constant despite their growing share in total exports. This is because earnings from re-exports per euro exported in the Netherlands have declined, even though the total value of re-exports has increased. The services balance stood at 3.8% of GDP at the end of 2025, the same level as at

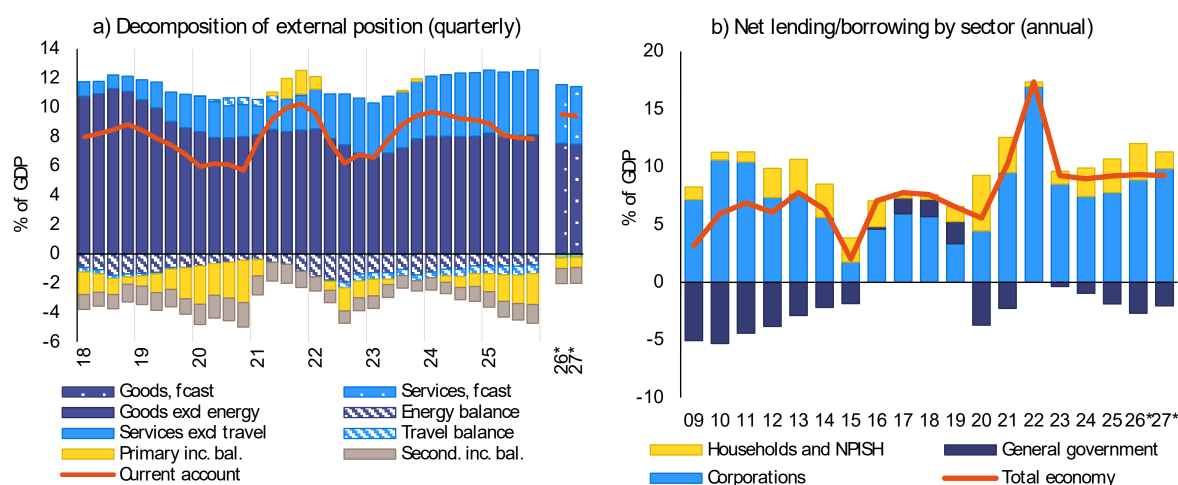
(5) The current account balance for the years 2023 and 2024 was revised due to adjustments in the trade balance based on newly available information. For 2024, the figure was revised from 9.9% of GDP to 9.2%, and for 2023, from 9.9% to 9.4%.

(6) Current accounts in line with fundamentals are derived from reduced form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turrini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission.

(7) Data on the value added of re-exports are not yet available for 2024.

the end of 2024. The upward trend in recent years is mainly driven by increasing charges for the use of intellectual property and increasing exports by the ICT sector.

Graph 2.1:**Current account balance and net lending/borrowing**



Source: Eurostat and European Commission forecasts.

A widening primary income [8] deficit is reducing the surplus. The primary income balance, which stood at -0.9% of GDP in 2024, fell to -2.1% at the end of 2025. The widening primary income deficit is a major driver of the decrease in the overall balance compared to 2024. This reflects a net outflow of investment income, driven primarily by an increase in dividend payments paid by Dutch firms to foreign direct investors.

From a sectoral savings-investment perspective, the surplus is mainly driven by the corporate sector. Net lending of corporations, the largest contributor, remained at 7.4% of GDP in 2024, with non-financial corporations (NFCs) contributing 5.1% of that figure, and is forecast to have increased to 8.9% in 2025 (Graph 2.1.b). Net lending of households increased from 1.1% of GDP in 2023 to 2.5% in 2024, and is forecast to have reached 2.9% in 2025. Only the government sector recorded a deficit of around 0.9% of GDP in 2024. This deficit is projected to reach 1.9% of GDP in 2025, 2.7% in 2026 and 2.1% in 2027.

Dutch multinationals contribute a large portion to the high level of corporate savings. The relatively large number of listed multinational enterprises (MNEs) record profits from global operations in the Netherlands. They consistently retain a significant portion of their profits rather than distribute them to shareholders, which are recorded as corporate savings in the Dutch economy. For a selection of the ten largest listed firms on the Amsterdam Exchange Index (AEX) between 2014-2023, the surplus of profits versus distributed dividends is estimated to have increased the net lending position on average by 1.3% of GDP [9]. In a recent study by the Dutch central bank 'De Nederlandsche Bank' (DNB), retained earnings are reassigned to the respective shareholders (both foreign and Dutch residents) using

[8] Primary incomes are investment incomes or wages received from foreign entities.

[9] European Commission (2025), The Netherlands – In-depth Review 2025, Staff Working Document, SWD(2025) 71 final (published as European Economy, Institutional Paper 313, May 2025)

detailed ownership and profit data [10]. They find that assigning these retained earnings to shareholders would lower the measured Dutch current account surplus by an average of 1.3 percentage points of GDP for the period 2021-2023.

Small and medium-sized enterprises (SMEs) contribute to the surplus structurally, while captive financial institutions generate volatility [11]. SMEs exhibit a structural savings surplus, partly reflecting their function as a vehicle for accumulating private capital income under favourable tax conditions. They have consistently contributed between 1.5 and 2.2% of GDP to the corporate sector's savings surplus since 2015. Also, a large part of the volatility found in the financial sector's net lending can be explained by captive financial institutions registered in the Netherlands as these are very sensitive to swings in profits of multinationals.

Investment levels in the Netherlands are below the euro area average. While investment growth in the Netherlands has outperformed the euro area in the past years, private investment as a share of GDP is still below that of peer economies. Gross fixed capital formation (GFCF) of the NFC sector remained at 9.7% of GDP, below the euro area average of 11.2% in 2024. For the public sector, GFCF remained at 3.3% of GDP in 2023 and 2024, which is around the euro area average. By contrast, when looking at the level of net investments (i.e. GFCF net of investments to replace depreciated capital), the Netherlands is outperforming the euro area (4% of GDP compared to 3% in the euro area). Nonetheless, domestic investment gaps are significant and reducing them could help to reduce the current account surplus. As Box 2.1 shows, there are several areas in which significant private and public investment needs have accumulated in the Netherlands, estimated at around 3.9% of GDP on an annual basis. The box focuses on investment needs in research and development, defence, housing, and electricity grid infrastructure. Addressing these gaps would significantly reduce the savings-investment imbalance in the country and could cut the current account surplus roughly in half.

Domestic demand, rather than net exports, has been the main driver of growth in the Netherlands since 2020. Consumption growth has averaged 2% since 2021 and is projected at 1.2 and 1.3% in 2026 and 2027 respectively (Graph 2.4.c). In real terms, consumption in the Netherlands has increased by 8.4% since 2019, compared to 5.9% in the euro area and 2.7% in Germany (Graph 2.4.b). Despite the gaps outlined above, investments have also seen higher real growth in the Netherlands than in the euro area on average in recent years. Gross fixed capital formation in the Netherlands in 2025 was 5.4% higher than in 2019, compared to 2.7% in the euro area, and is forecast to grow by 0.9% and 1.6% in 2026 and 2027, respectively (Graph 2.4.a). Contrary to the pre-pandemic period, domestic demand rather than net exports has determined Dutch growth dynamics, and this trend is forecast to continue in 2026 and 2027.

[10] DNB (2025), Retained earnings and the current account (dnb.nl).

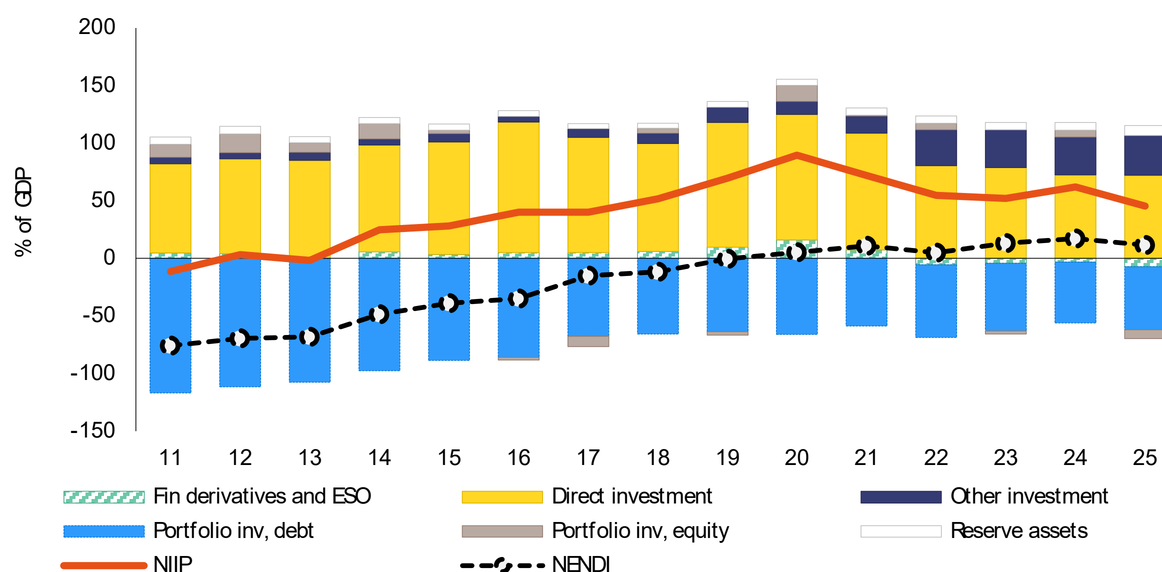
[11] Multinational enterprises often use holding and finance entities in their structuring of operations. These entities are called captive financial institutions. They act as financial intermediaries and are positioned between the multinational and the operational affiliates. They are often located in financial centres and account for a large stock of FDI in those countries. Their tasks include intragroup lending, holding of participations and financial intermediation.

The Netherlands' NIIP remains well above its fundamental level. The Netherlands' NIIP reached 45.5% of GDP by the end of 2025, which is a decrease of around 16 percentage points since the end of 2024 (Graph 2.2). This is significantly above the level of some 24% of GDP justified by fundamentals in 2025. Throughout 2024 and 2025, the Netherlands continued to record positive net financial flows, consistent with persistently large current account surpluses. The NIIP fell back down throughout 2025 due to valuation effects. Possible explanations for the decrease include the relatively strong stock market performance of multinationals listed in the Netherlands and the appreciation of the euro against other currencies, thereby increasing the value of Dutch assets owned by foreign investors relative to the value of foreign assets owned by Dutch residents. The expected current account surpluses in 2026 and 2027 are forecast to put upward pressure on the NIIP.

Assessment of MIP relevant policies

Policy action regarding the large domestic savings-investment gap has been limited. Higher investments in the Netherlands by the semiconductor equipment manufacturer AMSL, facilitated by an investment package set up in 2024 by the government for the region of Eindhoven, could reduce the overall net lending figure. Removing longstanding bottlenecks throughout the Netherlands could support investment growth further: significant investments in the expansion of the electricity grid are underway and are expected to reduce grid congestion, which is currently holding back investments as businesses face long waiting times to get connected to the grid. Restrictions on construction activity due to excessive overall nitrogen deposition continue to weigh on investment activity and addressing the sources of nitrogen deposition could unlock further investments in the construction sector. As Box 2.1 shows, the Dutch economy has investment needs in a number of other areas such as defence and R&D. Removing barriers, for example by addressing excessive nitrogen deposition, could help close these gaps. Since 2024, the government has not been a net lender anymore, thus supporting a reduction in the current account surplus, and public investment has bottomed out, with defence investments expected to lead to significant increases in the years ahead.

Graph 2.2:**Decomposition of Net International Investment Position (NIIP) by instrument**



Source: Eurostat and European Commission forecasts.

2.2. HOUSING MARKETS

Assessment of gravity, evolution and prospects of vulnerabilities

House prices continued to rise even as the number of properties for sale grew. Property sales reached a record-high of 238 695 in 2025, almost 16% more than in 2024, following a net sell-off of 38 000 rental properties to owner-occupiers (representing more than 3% of all private rental properties) [12]. Despite this surge in availability of housing for purchase, average house prices rose by 8.5% y-o-y in 2025, in an already overvalued housing market with overvaluation attaining 20% in 2025. Estimates suggest that, in the absence of the additional supply, prices could have risen by an additional 2 percentage points [13]. Price growth was muted in the four largest cities—Amsterdam, Rotterdam, The Hague, and Utrecht—where most rental properties were sold off. By contrast, prices increases were stronger in peripheral provinces such as Zeeland, Friesland and Groningen.

House prices are pushed by strong demand. Structural demographic trends, including rapid population growth and a growing mismatch between the housing stock—dominated by large dwellings—and increasingly smaller households, push up prices. In addition, rising disposable incomes and persistent tax incentives for homeownership, such as the mortgage interest deductibility, further encourage debt-financed housing demand. The small private rental market with relatively high rents also pushes people into purchasing a house.

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(12) Kadaster (2026). Investors sold 65 000 properties to owner-occupiers, while buying 27 000 properties, resulting in a net sell-off of 38 000 properties. See more info in paragraph on private rental market

(13) NVM (2025). Analyse woningmarkt 3e kwartaal 2025.

The limited responsiveness of new dwelling supply to this high demand sustains upwards pressure on prices. The overall housing shortage is projected to exceed 400 000 dwellings in 2025 [14]. Only around 68 000 new dwellings are estimated to have been completed in 2025 and 80 000 are expected in 2026 [15], versus a national target of 100 000 new dwellings per year until 2030. Furthermore, the issuance of new residential building permits fell by 8.6% in 2025 compared to the year before [16], which is likely to weigh on housing supply in 2027. Several bottlenecks hinder progress, including complex planning and permitting procedures, high construction costs, limited land availability, labour shortages, and restrictions to construction related to excessive nitrogen deposition and electricity grid congestion. The housing shortage is most pronounced in the Randstad (West Netherlands) and in several rapidly growing medium-sized cities, such as Eindhoven and other parts of Brabant, where demand is intensified by specific groups of smaller households, including students, first-time buyers, and expats.

The increase in sales of rental properties to the owner-occupier market has further constrained the private rental market. In 2025, the private rental segment accounted for 14.3% of the total housing stock, a markedly smaller share than the owner-occupier market (57.5%) or the social rental segment (28.2%). Unlike owner-occupiers, who benefit from various tax incentives, or social housing tenants, who pay below-market rents, private renters do not receive a similar level of public support. Instead, rents in the private sector are regulated through a mandatory points-based system, with caps imposed on lower- and mid-range properties. In 2024, these caps were extended to mid-range rentals (up to EUR 1 184,82 [17]) to curb excessive rental costs, while landlords of properties exceeding this threshold [18] could still set rents independently. Additionally, new rental regulations were introduced in recent years to strengthen tenants' rights [19]. However, in combination with higher interest rates and tax changes, these measures led landlords—particularly in the major cities—to sell smaller properties falling below the rent cap threshold. As a result, around 16 000 fewer properties were available in the private rental sector on 1 January 2026 compared to two years earlier, marking a break from the period 2020-2023, during which an average of about 36 000 dwellings per year were added to the private rental stock [20]. While the extension of capped rents will benefit some existing tenants, others who rely on the private rental market face a further reduction in available dwellings and higher rents for units priced above the cap higher rents. Moreover, when former rental properties are put on the market they are typically purchased by higher-income households rather than by the former tenants.

(14) Based on European Commission and JRC calculations and forecast. For details, see Balouktsi et al. (2026) Housing investment needs in the EU. JRC Technical Report 144419.

(15) Economisch Instituut voor de Bouw (2026)

(16) CBS (2026)

(17) 2024 prices

(18) Due to a higher quality of the property (in terms of, for instance, location, square meters and facilities)

(19) New regulations in recent years include a ban on buy-to-let properties in specific neighbourhoods (2022), providing greater protection to renters (Wet goed verhuurschap, 2023), and making fixed-term rental contracts the norm (2024)

(20) Despite also taking into account new rental property constructions

Box 2.1: Investment needs

The Netherlands' large current account surplus is reflective of an imbalance between domestic savings and investments. The main driver of this imbalance is the corporate sector. In 2025, net lending of the total economy reached 8.9% of GDP, with the corporate sector contributing 7.8%. While some of the corporate surplus can be explained by the role of multinational firms in the Netherlands and the treatment of retained earnings [(1)], a substantial savings surplus remains even after accounting for those factors. This box analyses to what degree addressing domestic investment needs (both public and private) could contribute to closing the savings-investment gap in the Netherlands. The following areas are being considered: Research and development (R&D), defence, electricity grid infrastructure and housing. It should be noted that in the context of this box, investments are not necessarily limited to gross fixed capital formation. Especially in the areas of defence and R&D, significant parts of the additional expenditure estimated below would be recorded differently in national accounts, e.g. as employee compensation or changes in inventories. Nonetheless, this additional expenditure would increase domestic demand and reduce the current account surplus (everything else being equal) and is thus taken into account for the purposes of this analysis.

Research and development

As described in the 2025 country report on the Netherlands, the country's position as an innovation leader in Europe is weakening. While expenditure on R&D in the Netherlands is at around the same level as the EU average, it is not keeping up with the amounts spent by other innovation leaders, such as Sweden or Denmark. The Netherlands is also not achieving the EU's target of 3% of GDP annual R&D expenditure. According to their coalition agreement, the current government has the ambition to move towards the 3% goal during their mandate. Analyses of the Dutch R&D expenditure performance argue that the sectoral structure of the Dutch economy—i.e. a relatively small share of industry and a relatively high share of services and wholesale trade—explains a large part of the difference between the Netherlands and top performing countries in the EU and the OECD. Rabobank [(2)] estimates that in 2022 about half of the difference in R&D intensity between the Netherlands and top performers was due to this sector-structure effect, while the other half was driven by intrinsically lower R&D intensity in Dutch sectors. The analysis estimates that closing the gap caused by the Netherlands' intrinsically lower R&D intensity would require an additional EUR 10 bn (2026 prices) in both public and private R&D in the Netherlands, corresponding to about 0.8% of GDP in 2026.

Defence

Like the previous government, the current coalition government has endorsed a target for defence spending of 3.5% of GDP in 2035. Structurally, this requires additional annual expenditure of around EUR 19.3 bn. Taking the 2026 budget as a baseline, reaching 3.5% of GDP would require additional annual expenditure of about EUR 15 bn. The coalition agreement of the government outlines the ambition to reach 2.8% of GDP by 2030 and 3.5% by 2035.

Electricity grid infrastructure

Congestion on the Dutch electricity grid is one of the main factors holding back investments in the Netherlands. It slows down firm growth, housing construction, electrification of transport and heating systems, and the deployment of additional renewable energy. A recent analysis [(3)] of the investment needs in the Dutch electricity grid to satisfy demand for connections suggests that, in total, around EUR 195 bn (2023 prices) worth of investments would need to be realised by grid operators between 2024 and 2040. Given outcome figures for 2024 and 2025, about EUR 180 bn is still needed between 2026 and 2040. Compared to the investments in 2025, this would translate into additional investments of EUR 5.8 bn (0.5% of GDP) in 2026.

Housing

A recent assessment of regional housing shortages in the EU by the Joint Research Centre [(4)] estimates that the Netherlands requires about 460 000 additional housing units beyond current construction trends. This is somewhat higher than the national estimate used by the Ministry of Housing and Spatial Planning of roughly 400 000. Given current average dwelling values at regional level, closing the gap between realised and actual construction implies a total additional annual investment need of between EUR 15.2 bn (1.2% of GDP) and EUR 17.5 bn (1.4% of GDP).

Conclusion

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(1) See last year's In-depth review for the Netherlands for a detailed overview of the drivers of the corporate surplus.
(2) Erken & van Es (2025), De weg naar hogere economische groei
(3) IBO Bekostiging Elektriciteitsinfrastructuur (2025)
(4) Balouktsi et. al. (2025), Housing investment needs in the EU

(Continued on the next page)

Box (continued)

In total, the annual investment needs outlined above amount to about EUR48.2 bn or 3.9% of GDP. In all four cases, investments are not expected to be immediately scalable to those levels. They are all medium-term investment needs, quantified on an annual basis. Closing these gaps could reduce the Dutch current account surplus by almost half in the medium term.

The coalition agreement of the current government contains plans that could contribute to closing these gaps. On R&D, the coalition commits to the EU's 3% R&D intensity target and proposes increases in public funding for higher education. As stated above, the government aims for defence expenditure of 2.8% of GDP by the end of its mandate, which would close about half of the gap to the 3.5% target quantified below. The investments in electricity grid infrastructure are entirely based on the investment plans by grid operators, thus representing a realistic scale-up over the coming years. On housing, the government also intends to make additional funds available to facilitate more construction. CPB projects that the policies contained in the coalition agreement would increase private investment growth by 0.2 percentage points annually between 2027 and 2030.

Table: **Investment needs in the Netherlands**

	2025 level	*Medium-term average annual additional investment need*	
	in bn EUR	*in bn EUR*	*in % of 2026 GDP*
Research & Development	34.1 [5]	9.9	0.8%
Defence	22.0 [6]	15.0	1.2%
Electricity grid infrastructure	8.7 [7]	5.8	0.5%
Housing	29.5 [8]	17.5	1.4%
Total		**48.2**	**3.9%**

(5) Data on R&D intensity is not yet available for 2025. This figure applies the 2024 intensity to 2025 GDP.
(6) Based on budgets for defence and the defence material budgetary fund in Miljoenennota 2026
(7) Based on financial reports of the operators of the Dutch electricity grid, Tennet, Enexis and Liander
(8) Based on Housing investment needs as estimated in Balouktsi et. al. (2025) (Housing investment needs in the EU) and WOZ data at NUTS 3 level

Assessment of MIP relevant policies

Effectively addressing significant structural challenges is essential to alleviating the housing shortage. The government is actively pursuing measures to tackle this issue, but rapid implementation is now key. The Housing Management Enhancement Act (*Wet versterking regie op de volkshuisvesting*), which is also included in the Dutch Recovery and Resilience Plan and has already been sent to Parliament, aims to speed up and simplify the planning and permitting process. In addition, a report commissioned by the Ministry of Housing and Social Planning and authored by the external advisory group STOER [21] has

(21) Eindrapport adviesgroep STOER (2025). STOER is a Dutch abbreviation meaning 'deleting conflicting and unnecessary requirements and regulations'.

presented concrete proposals to enable faster and more cost-effective housing construction. Greater uniformity in construction regulations at municipal level would further facilitate faster and more cost-efficient housing development, including prefabricated dwellings. Moreover, starting from 2026, municipalities can apply to a new subsidy scheme aimed at developing affordable new housing (*Realisatiestimulans*). In addition to these concrete actions, the government could pursue a more active land policy, including by amending zoning laws to allow for increased construction and considering a tax on the added value that a plot of land acquires as a result of a change in the zoning, with the proceeds used to finance supporting infrastructure.

Incentivising investment in the private rental market could help to increase housing supply. Under current conditions, most rental dwellings do not represent profitable investments for landlords [22], increasing the risk of further contraction in the private rental market unless policy action is taken. This hampers labour mobility within and to the Netherlands. So far, the government has provided minor relief to private investors through a reduction in the transfer tax in housing from 10.4% to 8%. To support an expansion of the private rental sector, as also committed to in the coalition agreement of the current government, rent controls could be recalibrated to ensure that regulated rents better align with property valuations in the rental market. This would improve the investment climate and, together with flanking measures to raise house supply, increase the availability of rental properties, without triggering a return to excessive rents.

2.3. HOUSEHOLD DEBT

Assessment of gravity, evolution and prospects of vulnerabilities

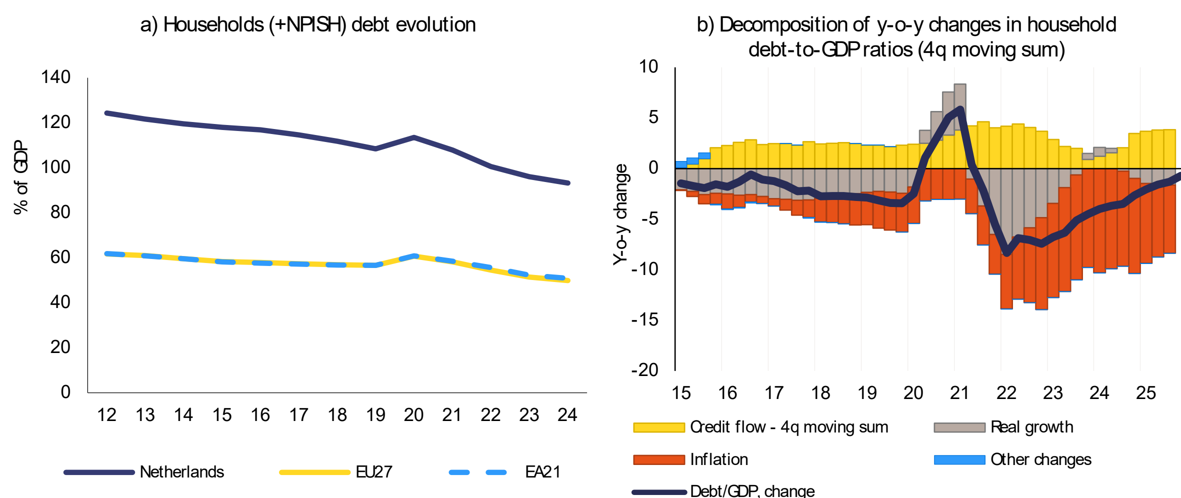
The high household debt-to-GDP ratio has slightly decreased, despite increasing net credit flows to households which could increase debt as of 2027. Households have taken out more bank loans in response to the (mild) easing of interest rates since 2024, steady wage growth, continuously increasing house prices and the recent wave of rental properties coming up for sale. At the same time, the increase in net credit flows was counteracted by inflation and real GDP growth (Graph 2.3.b). As such, household debt-to-GDP is estimated to have reached 92.6% in 2025, marginally down from 93.3% in 2024 and significantly below the 2010 peak of 125% (Graph 2.3.a). At the same time, household debt-to-GDP is still the highest in the EU. While inflation is expected to ease towards 2% and real GDP growth is forecast to remain above 1% until 2027, the continued expansion in net credit flows is expected to drive a mild rebound in the household debt-to-GDP ratio as of 2027 (see Box 2.2).

High household debt has not led to material financial difficulties for most households. Mortgages account for approximately 90% of household debt. The house price-to-income ratio slightly increased to 8.6, as house prices outgrew wages. However, thanks to strict rules

(22) SEO (2025). Investeringsklimaat middenhuur.

regarding the debt service-to-income ratio, payment delays have remained small [23]. The average interest rate on outstanding mortgages also increased only modestly from 2.3% in July 2022 to 2.8% in February 2026, remaining relatively low by historic standards due to the prevalence of fixed-rate mortgages, delaying the impact of recent interest rate increases. Dutch households also hold significant assets—although the majority is illiquid in the form of housing and pension savings—providing a buffer against a possible future economic downturn. At present, however, there may still be a small group of vulnerable households with high levels of debt.

Graph 2.3:**Evolution of debt**



Source: ECB, Eurostat and European Commission calculations.

Assessment of MIP relevant policies

Efforts to implement substantial policy reforms in order to discourage debt-financed homeownership have been limited. In a context of constrained housing supply, demand-stimulating incentives have largely translated into higher house prices rather than improved affordability and have benefitted relatively wealthy households the most. This is particularly evident in the very significant mortgage interest deductibility and the low taxation of imputed rent for owner-occupied housing. In 2025, only modest progress has been made, notably through the accelerated phase-out of tax relief for homeowners with no or very low mortgage debt (*Wet Hillen*). A further reduction in tax incentives incentivising debt-financed homeownership would help level the playing field between homeowners and renters and lower household debt. Following discussions with supervisory authorities, some banks have reduced the maximum interest-only share of new mortgages from 50% to 30% as of January 2026, with other banks expected to follow. This measure helps lower household indebtedness over time, particularly given that interest-only loans still account for around

(23) NHG (2025). Woonlastenmonitor. November 2025.

45% of outstanding mortgages. The Netherlands still allows a borrowing (loan-to-value (LTV) limit) of up to 100% of the property value [24].

Table A: **Policy considerations in context of this year's In-depth Review for the Netherlands**

Vulnerability	Policies	Implementation status
External sector	*Investment package for ASML* (a world-leading manufacturer of advanced semiconductor lithography machines based in the Netherlands): The government set up Operation Beethoven in 2024. This set of actions is designed to improve housing, education, transportation and the electricity grid in the region of Eindhoven to ensure that future expansions by ASML can take place. The government plans to invest EUR 2.5 bn.	Announced in March 2024 Implementation of housing improvements planned by 2030.
Housing markets	*Housing Management Enhancement Act (Wet versterking regie op de volkshuisvesting)* The act aims to streamline the planning process, permit issuance, and legal procedures.	Proposal sent to parliament on 19 December 2025. Pending the vote by both chambers of parliament. The act is anticipated to enter into force by 1 July 2026.
	Amendments to the building regulation (Besluit bouwwerken leefomgeving) As follow-up to a report authored by an external advisory group STOER [25], amendments are being worked on to simplify the building regulation, thereby reducing construction costs.	The preparation of a first package of amendments is underway. Unclear adoption date.
	Affordable Rent Act (Wet betaalbare huur) Extension of rent controls to private rental properties with a monthly rent of up to EUR 1 184.82, as determined by a scoring system.	Entry into force on 1 July 2024.
	Reduction in transfer tax on non-primary residence dwellings. The transfer tax on non-primary residence dwellings is reduced from 10.4% to 8%.	Entry into force on 1 January 2026.
	Realisatiestimulans Between 2026 and 2030, municipalities can receive a contribution of EUR 7 000 per newly constructed affordable dwelling. In total, EUR 2.5 billion is available.	Adoption on 5 November 2025, entry into force on 1 January 2026.
	Woningbouwimpuls Woningbouwimpuls supports municipalities in accelerating the construction of more complex affordable housing projects. Municipalities can apply for this incentive for housing projects with a demonstrable public funding deficit. Until 2029, EUR 515 million is available.	Entry into force of original regulation in 2020. Entry into force of amendments simplifying the regulation on 1 January 2026.

[24] ESRB (2024). Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries. The ESRB recommended tightening LTV limits, adjust the methodology for setting debt-service-to-income limits with financial stability objectives in mind, and continue with policy actions that go beyond the macroprudential remit.

[25] Eindrapport adviesgroep STOER (2025). STOER is a Dutch abbreviation meaning 'deleting conflicting and unnecessary requirements and regulations'.

	Increase to 2% of the countercyclical capital buffer (CCyB) for banks on outstanding loans The Dutch Central Bank (DNB) sets the CCyB to increase banks' resilience when cyclical risks build up.	Entry into force on 31 May 2024. Confirmation to extend the CCyB at 2% on 17 December 2025.
	Extension of the minimum average risk weight for the calculation of regulatory capital requirements applicable to exposures to natural persons secured by mortgages on residential property. The DNB temporarily extended the minimum average risk weight as it sees the systemic risk in the housing market at a persistently high level.	Activation on 1 January 2022. Decision to extend the minimum average risk weight until 30 November 2026 in October 2024.
Household debt	*Speed up the phase out of the deduction for no or a low mortgage debt (Wet Hillen).* When imputed rent tax surpasses the tax deduction of mortgage interest rates, such as for homeowners without a mortgage or those with only a very small one, the law Hillen allows for the deductibility of the imputed rent tax exceeding the tax deduction of mortgage interest rates from income. Since 2019, this deductibility is gradually being phased out over a 30-year period, which was sped up to 2041.	Entry into force on 1 January 2026.
	Lowering of the maximum share of interest-only part of new mortgages from 50% to 30%. Following discussions with the supervisory authorities, the Dutch Central Bank, and the Authority Financial markets, banks have lowered the maximum interest-only part of new mortgages to 30%, with other banks expected to follow.	Since January 2026 (no official legislation)

Note: This table lists the main measures that may increase or reduce the risks of macroeconomic imbalances. The measures are described more at length and reviewed in the text of this IDR.

Conclusions

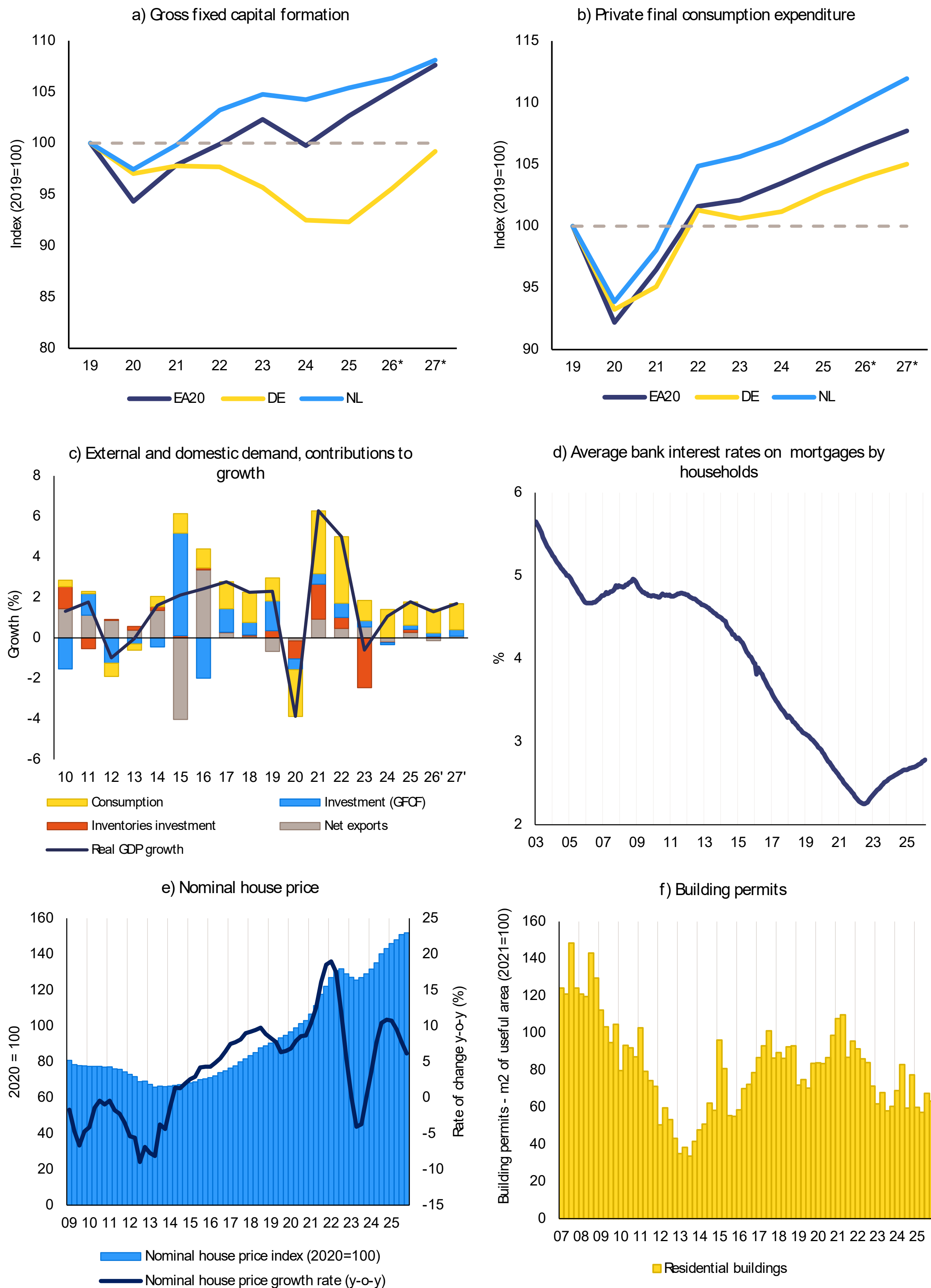
The Netherlands continues to face vulnerabilities relating to a large current account surplus and high household debt and house prices. The current account surplus remains elevated despite some recent falls and is significantly above levels justified by fundamentals. The surplus reflects a large surplus in goods and services trade, partially due to the Netherlands' role as a logistics hub for Europe. It also reflects a high savings surplus in the corporate sector in the presence of significant domestic investment needs. At the same time, domestic demand, in particular consumption, has been the main contributor to real growth in recent years, and its growth has performed stronger than in the rest of the euro area. Going forward, the surplus is expected to remain elevated, while ambitious investment agendas in electricity grid infrastructure and housing construction may exert downward pressure. House prices are also expected to increase in 2026 in an already overvalued

housing market amid steady wage growth and structural challenges yet to be addressed, while the private rental market is expected to shrink further as landlords sell off their properties in the lower and mid-range of the rental market. The household debt-to-GDP decreased marginally in 2025 after more significant declines in previous years and is expected to remain elevated as borrowing edges up. High debt levels make households more susceptible to economic downturns, particularly in the context of an overvalued housing market. Immediate risks appear under control however, thanks to strict rules on the debt-service-to-income ratio for new mortgages, the prevalence of fixed-rate mortgages, and steady wage growth.

Policy actions have been recently taken but overall progress has been limited. Structural causes of the large current account surplus, such as significant domestic investment gaps, have not been sufficiently addressed and incentives to accumulate large savings in closely held firms [26] remain. The investment agenda of the current government could put downward pressure on the current account surplus. To address supply-side constraints that drive high house prices, the government made additional funding available for the construction of affordable housing. In addition, swiftly implementing the recent measures to streamline planning and permitting processes, along with simplifying building construction regulations, could prove beneficial. Following the introduction of recent measures leading to a drop in rentals supply, rent price controls could be recalibrated to improve the investment climate in the private rental market, without triggering a return to excessive rents. This would also help increase overall housing supply. Furthermore, the tax system could be reformed to diminish the extensive incentives for household borrowing, in particular by phasing out of the mortgage interest deductibility.

[26] These firms are set up with the sole aim of holding assets, such as savings or pension wealth. These constructions offer loopholes to reduce and postpone tax payments.

Graph 2.4:**Selected graphs, the Netherlands**



Source: DNB, Eurostat, AMECO and European Commission calculations.

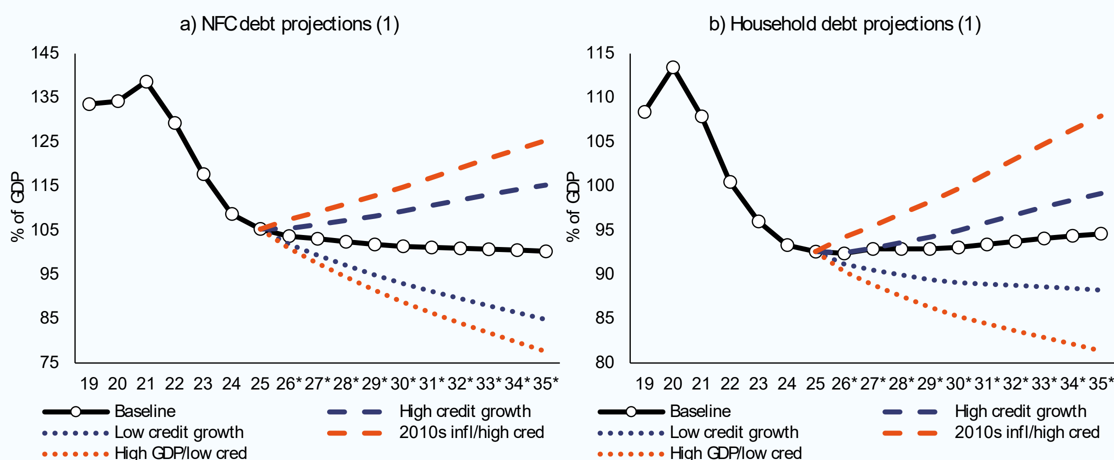
Box 2.2: Medium-term household and non-financial corporate debt projections

This Box summarises household and non-financial corporate debt-to-GDP projections for the Netherlands over the next decade, based on scenario analysis. It covers diverse scenarios to take into account different underlying assumptions and to understand how they affect the debt trajectories.

The corporate debt-to-GDP ratio is projected to continue to decline slowly over the next decade under the baseline scenario. The baseline scenario takes the 2025 nowcast of 105% of GDP as a starting point, integrates Commission 2025 Autumn Forecast data for growth, inflation and credit flows for 2026-27, and assumes an average annual real GDP growth rate of 1.1%, an average annual inflation rate of 2.2% and annual corporate credit flows of 3% of GDP (below the debt-stabilising NFC credit-to-GDP of 3.4%) for the years 2028-35. In the baseline scenario, the NFC debt-to-GDP ratio is projected to decrease by around 5 pps. to 100% by 2035 (Graph 1.a). Under an alternative scenario of high corporate credit flows over the entire projection horizon, this ratio would rise to about 115% by 2035. If, in addition to high credit flows, annual inflation is assumed to be at the average of the 2010s, i.e. on average 1 pp. below the baseline, the NFC debt-to-GDP ratio would increase to 125%.

The household debt-to-GDP ratio is projected to mildly rebound again as of 2027. The baseline scenario takes the 2025 nowcast of 93% as a starting point, integrates Commission 2025 Autumn Forecast data for growth, inflation and credit flows for 2026-27, and assumes an average real GDP growth rate of 1.1%, an average inflation rate of 2.2% and annual credit flows of 3.3% of GDP (just above the debt-stabilising credit-to-GDP ratio of 3.1%) for 2028-35. As a result, the household debt-to-GDP ratio would increase by 2 pps. to 95% by 2035 (Graph 1.b). Under an alternative scenario of higher credit flows during the entire period under consideration, the household debt-to-GDP ratio would reach 99% of GDP by 2035. If, in addition to high credit flows, annual inflation is assumed to be at the average of the 2010s, i.e. on average 1 pp. below the baseline, the debt ratio would reach 108% of GDP by 2035.

Graph 1: **Corporate and household debt projections, based on scenario analysis for The Netherlands**



(1) Both for the NFC and HH debt projections, the baseline assumes that after 2027 the annual credit flow-to-GDP ratio equals the country-specific median value over 2015-2027. The high (low) credit scenario assumes a higher (lower) credit flow-to-GDP ratio, with the difference to the baseline calculated as half the intertercile range of the annual credit flow to GDP ratio over 2015-27. The high GDP growth scenario reflects a permanent 1 pp increase in GDP growth relative to the baseline scenario. The low inflation scenario reflects a change rate in the GDP deflator equal to the country specific average change rate in the GDP deflator observed over the 2010s. The debt stabilising credit-to-GDP ratio refers to the credit ratio between 2028 and 2035 that would stabilise the debt-to-GDP ratio at its 2027 level.
Source: Eurostat and European Commission forecasts and calculations.

Table 2.1: **Key economic and financial indicators, The Netherlands**

	average 2017-2019	average 2020-2022	2023	2024	2025*	forecast 2026	2027
Output and Prices							
Real GDP (1 year % change)	2.5	2.4	-0.6	1.1	1.8	1.3	1.7
Real GDP per capita (1 year % change)	1.8	1.7	-1.6	0.4	1.3	0.8	1.2
GDP deflator (1 year % change)	2.3	3.8	6.3	5.7	3.3	3.3	2.1
Harmonised index of consumer prices (1 year % change)	1.9	5.1	4.1	3.2	3.0	2.5	2.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)	1.2	2.8	6.4	3.2	2.8	2.7	1.9
External position							
Current account balance, balance of payments (% GDP, 3y average)	**7.5**	**7.4**	**8.8**	**8.5**	**8.8**	**8.8**	**8.9**
Current account balance, balance of payments (% of GDP)	7.9	7.6	9.4	9.2	7.9	9.5	9.4
of which: trade balance (% GDP)	10.4	9.6	9.9	11.0	11.2		
of which: income balance (% GDP)	-2.5	-2.0	-0.5	-1.9	-3.4		
Current account norm (% of GDP) (1)	1.3	1.3	1.1	1.0	0.9	0.9	0.9
Current account req. to reach fund. NIIP (% of GDP) (2)	0.3	-0.2	-0.6	-0.8	0.0		
Net international investment position (% of GDP)	**53.8**	**72.1**	**52.1**	**62.1**	**45.5**	**60.4**	**65.8**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)	-9.1	7.0	13.2	17.0	11.4		
Net lending-borrowing (% of GDP)	7.3	11.1	9.2	9.0	7.3		
Competitiveness							
Nominal unit labour cost index per hour worked (3y % change)	**3.9**	**9.9**	**9.8**	**18.4**	**19.3**	**13.5**	**8.8**
Nominal unit labour cost index per hour worked (1 year % change)	2.1	2.6	8.6	6.2	3.4	3.4	1.8
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**1.3**	**3.1**	**2.4**	**3.3**	**3.5**	**1.4**	**0.9**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)	0.8	1.1	1.0	0.9	1.5	0.4	0.1
Export performance against advanced economies (3y % change)	**3.3**	**4.9**	**-4.7**	**-4.6**	**-1.7**	**-0.5**	**-0.3**
Export performance against advanced economies (1 year % change)	1.6	1.1	-2.2	-1.7	1.5	-1.0	-0.8
Core inflation differential vis-à-vis the euro area (pps.)	0.2	0.8	1.4	0.3	0.4	0.6	0.0
Corporations							
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**139.3**	**134.1**	**117.7**	**108.7**	**105.3**	**103.7**	**103.1**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	0.1	5.4	-0.3	-1.4	2.8	4.4	4.7
Households and housing market							
Household debt, consolidated (% of GDP)	**111.7**	**107.3**	**96.0**	**93.3**	**92.6**	**92.4**	**92.9**
Household debt, consolidated (% of GHDI)	171.4	159.5	143.1	139.7	140.1		
Household credit flow, consolidated (% debt stock t-1)	**2.3**	**3.6**	**1.0**	**3.8**	**4.4**	**4.3**	**4.3**
House price index, nominal (1 year % change)	**8.2**	**11.9**	**-1.9**	**8.2**	**8.5**	**6.0**	**6.0**
House prices over/undervaluation gap (3)	-4.6	12.4	13.1	16.7	19.7		
Standardised price-to-income ratio	94.5	109.1	106.0	108.4			
Building permits (m^2 per 1000 inh)	669.4	695.0	464.3	544.6	464.4		
Government							
General government gross debt (% of GDP)	**51.8**	**50.8**	**45.8**	**43.7**	**45.2**	**47.9**	**48.1**
General government balance (% of GDP)	1.6	-2.0	-0.4	-0.9	-1.9	-2.7	-2.1
Banking sector							
Return on equity of banks (%)	8.2	6.4	10.9	10.6			
Tier-1 capital ratio banking sector (% risk-weighted assets)	18.9	19.2	18.6	19.3			
Gross non-performing loans, domestic and foreign entities (% gross loans)	1.9	1.5	1.3	1.4	1.2		
Cost of borrowing for households for house purchase (%), new loans	2.4	2.0	3.8	3.9	3.4		
Cost of borrowing for NFCs (%), new loans	1.3	1.2	4.0	4.2	3.2		
Labour market							
Unemployment rate (% labour force Y15-74)	**5.1**	**4.2**	**3.6**	**3.7**	**3.9**	**4.1**	**4.3**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**0.8**	**1.2**	**2.1**	**1.8**	**0.9**	**0.3**	**0.7**

*If actual data were unavailable at the cut-off date, forecast or nowcast data are presented instead

(1) Current accounts in line with fundamentals (current account norms): derived from reduced form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turrini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(2) Current account required for a specific NIIP target: calculations make use of Commission's T+10 projections. See Coutinho, Turrini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission.

(3) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income per capita, real long-term interest rate and price deflator of final consumption expenditure. Based on Philiponnet and Turrini (2017), "Assessing House Price Developments in the EU", European Economy, Discussion Papers 48, DG ECFIN, European Commission.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn Forecast 2025).