

Local Market Update - By Jorrit Baken, Liberty Mutual Surety

Dear Clients and Business Partners

The escalating military conflict in the Middle East is prompting a significant re-evaluation of defense investment across Europe, with specific implications for the Netherlands. The heightened security risks and concerns over regional stability and energy security are the primary drivers for this shift.

The Dutch economy is experiencing moderated growth, with GDP expanding by +0.1% in Q1 2026. While inflation remains below last year's levels, recent upward pressure and elevated Euribor rates continue to affect borrowing conditions and project financing. At the same time, a new coalition government is shaping policies that will impact the business environment — from regulatory reform to increased investment in education, infrastructure, and defense.

These developments present both opportunities and considerations for companies like you that are active in the Dutch market. This update covers key economic indicators, the government's agenda and fiscal outlook, pressures in the housing and labor markets, and broader implications of geopolitical instability in the Middle East for economic confidence, energy security, and defense investment. Together, these dynamics underscore an economy in transition, requiring disciplined navigation and strong partnerships.

We trust this overview supports your strategic planning and decision-making. We remain available to discuss how Liberty Mutual's surety solutions can support your risk management and growth objectives in this evolving environment.

Priorities of the New Government: Relevance to the Dutch Business Community

1. Pro-Business Platform

- The coalition is championing a pro-business environment by increasing public investment in research and development (R&D) and fostering stronger collaboration between the public and private sectors.
- These initiatives are designed to improve access to financing and reduce regulatory hurdles, creating a more favorable climate for business expansion.

[*Flint Global*](#)

2. Economic & Internal Market Cooperation

- As part of its presidency of the Benelux Union, the Netherlands is prioritizing the enhancement of economic cooperation and the removal of barriers within the internal market.
- These efforts are aimed at stimulating joint growth, innovation, and economic resilience among the member countries

[*Benelux*](#)

3. Fiscal Policies & Taxation

- While the government intends to maintain the current corporate income tax rates, there is some uncertainty surrounding fiscal and regulatory decisions. This is due to the need for additional funding in areas such as defense and housing.
- Businesses should anticipate potential adjustments to the minimum capital rules for financial institutions and changes in tax classification rules.

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4. Sector-Specific Initiatives

- The government has allocated €1.5 billion for additional investment in the education sector.
- The mobility sector is also set to benefit from new infrastructure projects and revised aviation regulations.

[*Dutch News*](#)

Economic Indicators

Down from
0.4% in Q1 2025

Q1 2026 YoY
GDP Growth

+0.1%

[*Statistics
Netherlands*](#)

Down from 3.7%
in March 2025

March 2026
Inflation (YoY)

2.7%

[*Statistics
Netherlands*](#)

Up from 2.2%
in January 2026

April 2026 Euribor
12-Month Rate

2.8%

[*Euribor rates.eu*](#)

While the Dutch Labor Market remains healthy, housing costs continue to increase

Supply & Demand Imbalance (Labor and Materials)

- The **manufacturing** sector is experiencing gaps in advanced digital, engineering, and managerial skills; aging workforce and low rates of vocational upskilling hinder adoption of advanced production practices.
- The **defense** sector has a need for specialized engineers, systems integrators, cyber and software experts; aging workforce in some legacy manufacturing areas and competition from civilian tech sectors for talent.
- Limited vocational/retraining pipelines specifically tailored to **defense**-relevant skills.

	Mar 2026	Mar 2025
Consumer Inflation (YoY)	2.7%	3.7%
Euribor 12-Month Rate	2.9%	2.4%
Unemployment Rate	4.0%	3.9%
	Q1 2026	Q1 2025
Netherlands GDP (Quarterly)	+0.1%	+0.4%
Changes in Negotiated Wages	+4.5%	+5.4%

[Statistics Netherlands](#)

[Euribor rates.eu](#)

[Eurostat](#)



Housing Sector Key Trends in Early 2026

1. **Housing Shortage** - There is a significant lack of available housing, and new construction is not keeping up with demand.
2. **Housing Prices** - Despite a minor cooling-off period, overall house prices remain high, making it difficult for many to buy a home.
3. **Regulatory Impact** - New regulations, such as the Affordable Rent Act, are intended to help but have led to some investors selling their properties, which in turn has caused rental prices to increase.
4. **Energy Efficiency Demand** - There's a growing gap in the market, with high demand for energy-efficient homes while properties with poor energy ratings are becoming less desirable.

Rising Cost of Housing in Europe Annual % Change (Selected Countries)

	2025-Q4	2024-Q4
Netherlands	6.2%	10.9%
European Union	5.5%	4.9%
Germany	3.0%	1.9%
France	1.0%	-1.9%
Italy	4.1%	4.4%

[Eurostat](#)

[Dutch Review](#)

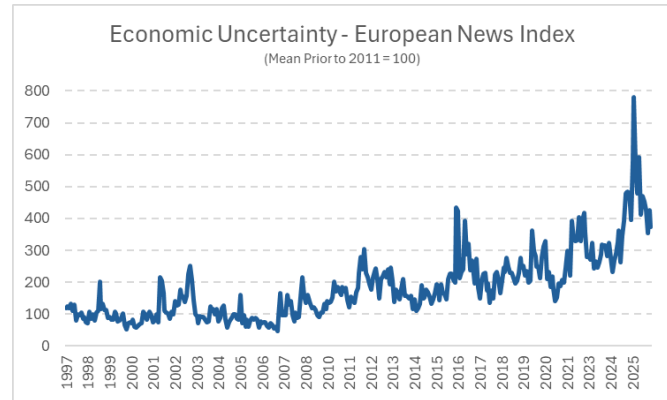
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How can our customers and business partners benefit from our surety solutions in The Netherlands?

- Guarantee providers create value through our prequalification, project and contract review processes
- Issuance of international guarantees, as needed for customer operations outside of The Netherlands
- Ability to partner with other sureties, our peers in a strong industry
- Liberty has a strong 'A' rating, accepted by beneficiaries
- Capacity to provide Advanced Payment Bonds, important tools for businesses in growing sectors

Potential Impacts of Geopolitical Conflict on the Dutch Economy

- The primary impact of geopolitical conflicts, such as the current conflict in the Middle East, is a sharp increase in economic uncertainty.
- Global economic uncertainty can weaken investment and business confidence, reduce demand for exports, and raise market volatility.
- Trade-dependent sectors (construction, transport, manufacturing) and ports could feel pressure.
- Weaker economic growth and higher borrowing costs could strain public finances.
- Public policy support could be necessary, with a focus on individuals and the labour market.



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Implications of the Iran War on European & Dutch Defense Investment

The escalating military conflict in the Middle East is prompting a significant re-evaluation of defense investment across Europe, with specific implications for the Netherlands. The heightened security risks and concerns over regional stability and energy security are the primary drivers for this shift.

Implications for Defense Investment:

- **Increased Military Spending** - Many European nations are expected to increase their defense budgets to enhance military readiness and address the new security challenges.
- **Energy Security** - The conflict has highlighted the vulnerability of Europe's energy supplies. This may lead to investments in protecting energy infrastructure and diversifying energy sources.
- **Economic Consequences** - The potential for increased oil prices and disruptions to trade routes creates a complex economic environment where governments must make difficult fiscal decisions, balancing defense spending with other budgetary priorities.

The Netherlands, like its European counterparts, is likely to increase its defense spending to meet its obligations within NATO and the EU. The nation's defense priorities will likely focus on enhancing military readiness and contributing to collective security efforts to safeguard against the expanding geopolitical instability.

[European Bank for Reconstruction and Development](#)

[International Monetary Fund](#)