

Cost of living improved despite more expensive groceries

- **Analysis of 150,000 Dutch households earning a salary provides insight into the development of the cost of living pressures**
- **We examine the extent to which a household's net income is consumed by fixed expenses and groceries**
- **Grocery prices have increased significantly; households are spending more on them compared to seven years ago.**
- **Nevertheless, cost of living is improving because incomes have risen more sharply than fixed expenses and grocery expenses.**
- **The percentage of households that spend a large portion of their income on fixed expenses and groceries has decreased.**



Jeannine van Reeken-van Wee
Senior Economist and Data Scientist
jeannine.van.reeken@nl.abnamro.com
06-55522880



Jan-Paul van de Kerke
Senior Economist Eurozone/Netherlands
jan-paul.van.de.kerke@nl.abnamro.com
06-44294475

Cost of living remains highly relevant

During Budget Day (Prinsjesdag) and election campaigns, discussions traditionally center around purchasing power. Since the previous elections, *cost of living pressures* has been added to these discussions.¹ In the [Budget Memorandum](#), the term "cost of living pressures" appeared as early as the third sentence, closely followed by "purchasing power." In a [previous publication](#), we observed that the cost of living has improved for the average Dutch household over recent years. We noted that the proportion of net income spent on fixed expenses by households has decreased. However, in that publication, grocery expenses were excluded from our analysis. This publication complements our earlier work by including those expenses as well. Despite this addition, our conclusions remain unchanged. Since 2019, households have retained a larger portion of their income after deducting fixed expenses and grocery expenses. These findings align with other research conducted by the [CPB](#) (Netherlands Bureau for Economic Policy Analysis). However, these average outcomes do not apply to all households. While the proportion of households spending a (too) large part of their income on fixed expenses, including groceries, has decreased, it still remains noticeable.

For this study, we use anonymized and aggregated transaction data. We analyze the proportion of income households allocate to fixed expenses and groceries from July 2019 to August 2025. This observation period encompasses several shocks, such as the pandemic, the energy crisis, and the period of high inflation. By utilizing anonymized transaction data, we gain insights into actual household expenditures without relying on survey data. The focus of this research is specifically on households with income derived from salaries. Households whose income comes from benefits, pensions, or self-employment are excluded from this analysis. In total, our analysis group comprises approximately 150,000 households.

Fixed expenses and groceries as indicators of cost of living pressures

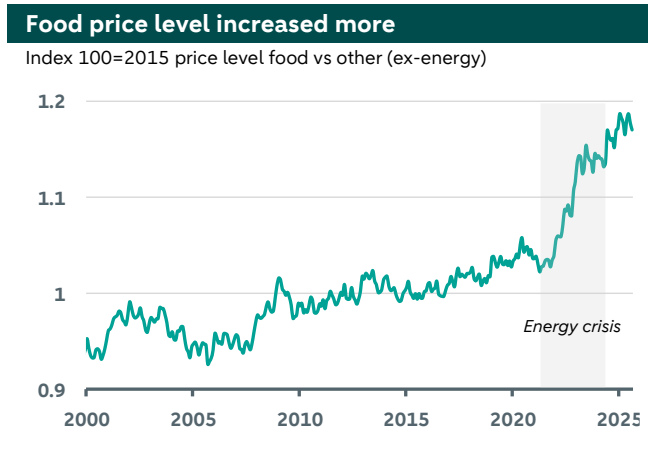
We interpret cost of living pressures as the extent to which households are able to respond to unexpected events that have a financial impact. This definition aligns with a recent [overview](#) of definitions by the European Commission and is also used as a perspective in the [reports](#) of the Social Minimum Commission. An unexpected financial event could involve a large expense or a sudden loss of income. In our earlier work, we focused solely on fixed expenses as a share of income. Fixed expenses refer to costs that households are 'tied to,' such as rent and housing costs, health insurance, and subscriptions. As fixed expenses take up a larger portion of income, households have less flexibility to cope with unexpected expenses. However, fixed expenses as a share of income alone do not tell the full story. Grocery expenses, which are also essential and constitute a basic need, have significantly increased in price in recent years. In this publication, we therefore combine grocery expenses with fixed expenses to assess the financial flexibility of households.

¹We use cost of living pressures as a translation for the Dutch term "bestaanszekerheid". The term "bestaanszekerheid" refers to the assurance that individuals or households have adequate resources to meet their basic needs.

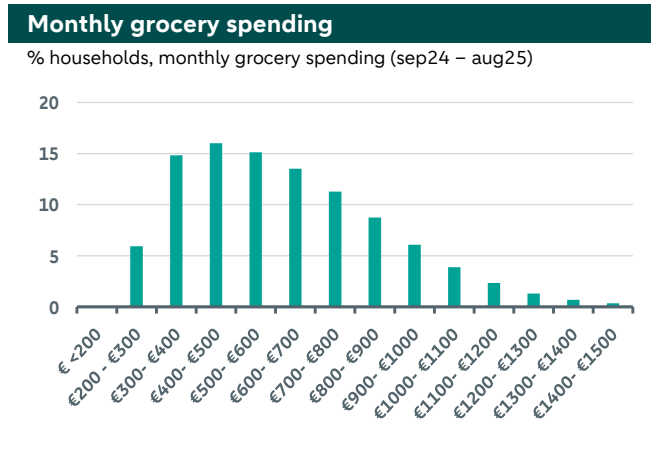
Food prices have risen sharply

Grocery prices, defined here as food prices, have risen significantly in recent years. Compared to three years ago, food prices are roughly 20% higher. In fact, the price of food has increased more sharply than the price of other products. This relative relationship between food prices and other prices is illustrated in the left-hand graph below, which shows the ratio between the price level of food and other products (excluding food and energy). Since roughly the energy crisis, a clear structural break is visible, with the price level of food increasing more rapidly than that of other products.

[Research](#) indicates that food prices have a greater impact on households' inflation expectations compared to the prices of other goods and services. This is likely because households frequently observe these prices on supermarket shelves—a phenomenon known as the 'sticker effect'. The recent absolute and relative rise in food prices may therefore contribute to the current [pessimism](#) among households.



Source: CBS, ABN AMRO Economisch Bureau



Source: ABN AMRO Economisch Bureau

Different grocery baskets

How much do households typically spend on groceries? We examine the average monthly grocery expenses per household over the past year (September 2024 to August 2025). We opted for a monthly average calculated over a year because grocery expenses show significant seasonal fluctuations, such as increased spending during the December holiday season. To provide the most comprehensive picture possible, we use a broad definition of grocery expenses in our analysis. In addition to spending at supermarkets (physical and online) and meal kit delivery services, we also include expenditures at specialty stores such as bakeries, butcher shops, fishmongers, delicatessens, and liquor stores.

The right-hand graph above shows the distribution of monthly grocery expenses for the households in our analysis group. We observe considerable differences among households. Approximately 45% of households spend between 300 and 600 euros per month on groceries. Three-quarters of households have grocery expenses of up to 785 euros. The median household in our analysis spent 585 euros per month on groceries over the past year, which is roughly 150 euros per week. These results are broadly consistent with the [budget survey data](#) from Statistics Netherlands (CBS).²

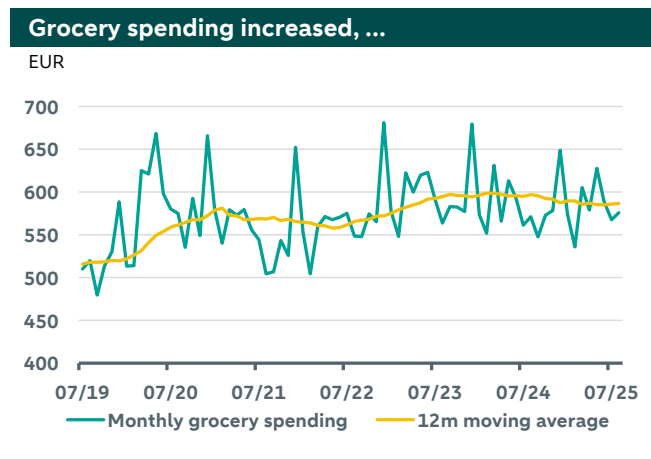
Grocery expenses are increasing over time, ...

Total grocery expenses can be influenced by many factors. Higher prices, for example, directly impact monthly spending. In addition, consumer behavior plays a role. Households may choose to purchase cheaper alternatives, such as private-label instead of brand-name products, shop at different stores, or adjust their consumption patterns by buying less. Substitution between dining out and groceries also affects total grocery expenses. This raises the question: how have actual grocery expenses developed over the years?

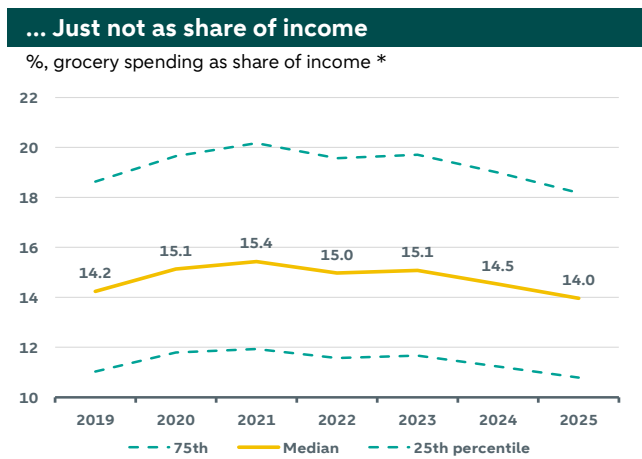
In the left-hand figure below, the median monthly grocery expenses are shown in green, alongside the same series represented as a rolling annual average in yellow. In addition to a clear seasonal pattern, such as increased spending during the December holiday season, we can also observe the start of the COVID pandemic in March 2020. Due to lockdowns, spending shifted from dining out to groceries. The rising rolling average demonstrates that households are spending

²The average grocery expenses (categories 0100 and 0200), adjusted to 2025 price levels, amount to approximately 640 euros per month according to CBS.

significantly more on groceries in 2025 than they did in 2019. Grocery expenses over the past seven years have increased from approximately 520 euros per month to around 585 euros per month.



Source: ABN AMRO Economisch Bureau



Source: ABN AMRO Economisch Bureau

* Years correspond to period August previous year – September current year to incorporate most recent months.

... but not as percentage of income

What stands out when we compare the absolute increase in grocery expenses to income? The right-hand figure above shows that a median household spent approximately 14% of its income on groceries in the past year. This share is similar to that of 2019. In the intervening years, we observe an increase, peaking at 15.4% in 2020-2021. This rise in the relative share can be attributed to the additional grocery expenses during the COVID lockdowns. Although the absolute amount spent on groceries continued to increase afterward, the ratio between grocery expenses and income did not rise further. Over recent years, income growth has outpaced grocery expenses.

Cost of living improved despite more expensive groceries

We now combine our earlier analysis on households' fixed expenses with our new analysis on grocery expenses. The left-hand figure below shows the percentage of income spent on fixed expenses and groceries combined. Between 2019 and 2025, this percentage decreases from 55.5% to 52.5%. This decline is due to fixed expenses taking up a smaller share of income. As a result, households retain a larger portion of their income after deducting expenses for fixed costs and groceries. The findings from our previous analysis on fixed expenses—that median households have experienced improved cost of living relative to income—remain unchanged, even when grocery expenses are included.

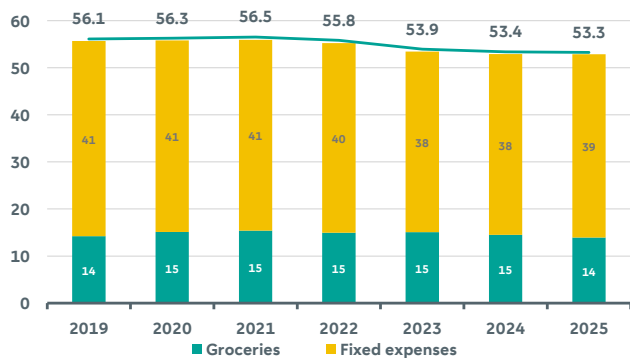
A smaller group of households faces a structural problem

The above conclusions apply to median households but do not hold true for all households. A high ratio between grocery expenses, fixed expenses, and income suggests limited financial flexibility to respond to shocks, such as a significant expense or sudden loss of income. Therefore, we focus on households that consistently have a high ratio.

The right-hand figure below shows the percentage of households in our analysis group with a ratio exceeding 75%, 80%, 85%, and 90%. Currently, 13% of households spend more than three-quarters of their income on fixed expenses and groceries. Overall, a clear decline in this percentage is observed, suggesting that a larger share of households has gained financial flexibility to make other expenditures and cover unexpected costs. This is a positive development. However, a non-negligible share of households continues to have a persistently high ratio. For example, approximately 10% of the households in our analysis group of 150,000 households have a ratio of necessary expenses to income exceeding 80%.

Including groceries expense ratio drops

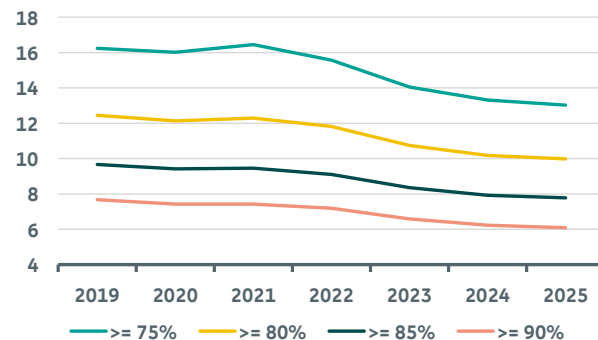
% , share of fixed expense and groceries of income *, **



Source: ABN AMRO Economisch Bureau

Less households with high expense ratio

% , share of households with high expense ratio *



Source: ABN AMRO Economisch Bureau

* Years correspond to period August previous year – September current year to incorporate most recent months.

** Differences due to using median time series for different sub series.

Conclusion

With the upcoming elections and government formation, cost of living pressures and purchasing power are likely to regain attention, especially due to the persistently higher inflation in the Netherlands compared to neighboring countries. Our analysis provides a current snapshot of approximately 150,000 households, whose primary income source is a salary, up to August 2025, focusing on one measure of cost of living: the percentage of income spent on fixed expenses and groceries.

In our analysis, we observe that despite the absolute increase in spending on fixed expenses and groceries, these expenses as a percentage of income have decreased. This indicates that households have more financial flexibility to handle unexpected setbacks. After deducting these essential expenses, the median household in 2025 retains a larger share of its income compared to 2019. However, this does not apply to all households. There is significant variation in grocery spending, both in euros and as a percentage of income. A non-negligible number of households still have a very high ratio of necessary expenses to income.

From this, we can draw two key conclusions: 1) The necessity for broad-based purchasing power support for the average household has diminished compared to previous years, given the improved ratios between income and essential expenses. 2) To maximize impact, purchasing power support should be more effectively targeted at households with limited financial flexibility and a persistently high proportion of income spent on essential costs.

Data and Method:

In this publication series called "Transaction Trends," we share relevant economic insights from our ABN AMRO aggregated and anonymized transaction data. We use transaction data to gain better insight into economic flows. For statistical research, we use only aggregated and anonymized data. The outcomes of the research cannot be traced back to an individual and are solely intended for research into economic trends.

Definitions:

In our analysis, we use an extensive definition of income to obtain the most comprehensive picture possible of households' nominal disposable income. First, our definition of income includes earnings from salaries, pensions, and benefits. Pension income includes both state pensions (AOW) and additional income from pension funds, while benefits include social assistance, unemployment benefits (WW), survivor benefits (ANW), and disability benefits. In addition to these primary income sources, allowances play a role in the disposable income of many households. Therefore, we include health care allowance, housing allowance, childcare allowance, energy allowance, child-related budget, personal budget, and child benefits. Furthermore, we account for fiscal adjustments: we reduce income by any tax surcharges and increase it by tax refunds. To align our definition as closely as possible with the disposable income definition used by the [MIMOSI](#) microsimulation model of the CPB and the [CBS definition](#), we deduct two specific expenditure items: childcare costs and health insurance premiums. However, in this analysis, we exclude income from assets, such as interest income, rental income, and alimony payments.

We define fixed costs as recurring expenses that households incur to meet their obligations. These costs constitute a substantial part of household finances and are often unavoidable. Our definition of fixed costs includes a wide range of categories. First, we account for housing costs, including rent, mortgage payments, and contributions to homeowners' associations (VvE). Additionally, various taxes are included, such as motor vehicle tax, municipal taxes, and water board levies.

Furthermore, insurance premiums are part of fixed costs, including car, contents, and travel insurance, but excluding health insurance, which has already been deducted from total income. Also included are costs for gas, water, and electricity, as well as expenses for telecom services such as phone and internet. We also include costs for payment products. Finally, we incorporate other automatic debits, excluding investments, credit card statements, and term deposits. Automatic debits exceeding 5,000 euros are also excluded, as these generally do not belong to regular fixed costs. Examples of automatic debits include subscription and membership fees, such as for newspapers, streaming services, sports clubs, or contributions to charities.

We apply a broad definition of grocery expenses. In addition to spending at supermarkets (both physical and online) and meal kit delivery services, we also include expenditures at specialty stores such as bakeries, butcher shops, fishmongers, delicatessens, and liquor stores. Grocery expenses are identified at the transaction level, rather than at the product level, which is possible with scanner data or surveys. One caveat in our analysis is that certain stores sell a variety of products, including food items—such as some online retailers. We are unable to distinguish the food-related portion of these transactions, and as a result, such expenditures are excluded from our analysis. This limitation means that our identification of grocery expenses may not be fully comprehensive, likely representing a lower bound of actual grocery spending.

Panel selection:

Our analysis includes approximately 150,000 households with income derived from salaries. This number remains after applying several filters. For panel selection, households must be considered active. We define an "active household" based on a set of transactions over a rolling 12-month period. To qualify as an active household, the household must receive income from a salary and pay fixed expenses via their account, including regional taxes, housing costs, utilities, health insurance, and telecom services. Furthermore, grocery expenditures must be observed every month.

For panel selection, households that have been active during the past year and the previous year according to the above criteria are included. We also apply several filters to exclude outliers in our data. For example, the total annual income credited to a household's account must be greater than or equal to 12,000 euros, and annual fixed costs must be less than or equal to 50,000 euros. Active inflow and outflow of households in the sample are thus allowed.

Team Netherlands and Transaction data research

Aggie van Huisseling, Economist | aggie.van.huisseling@nl.abnamro.com

Eva Viviani, Data Scientist | eva.viviani@nl.abnamro.com

Finn Blokker, Data Scientist | finn.blokker@nl.abnamro.com

Jan-Paul van de Kerke, Senior Economist | jan-paul.van.de.kerke@nl.abnamro.com

Jeannine van Reeken – van Wee, Senior Economist / Data Scientist | jeannine.van.reeken@nl.abnamro.com

Mike Langen, Senior Economist | mike.langen@nl.abnamro.com

Nick Kounis, Chief economist | nick.kounis@nl.abnamro.com

Philip Bokeloh, Senior Economist | philip.bokeloh@nl.abnamro.com

Zarir Madan, Data Scientist | zarir.madan@nl.abnamro.com

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