Economic Policy Uncertainty Index

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Tariffs are currently the main driver of Economic Policy Uncertainty in the Netherlands, but domestic political instability has become a stronger influence over the last five years.

Economic decision-makers – from multinationals planning billion-euro capital projects to households contemplating a new mortgage – face an irreducible fog of policy-related risks. When that fog thickens, investment is postponed, hiring slows, consumption tilts toward precautionary saving, and investors demand higher returns to compensate for the uncertainty.[1] Many studies find that spikes in Economic Policy Uncertainty predict lower output, weaker labour market dynamism, higher equity volatility and a flight to safe assets.[2] [3] [4] The mechanism is intuitive: when future policy becomes more uncertain, the value of waiting goes up. Hence, many decision-makers decide to just wait, depressing economic activity.

To measure Economic Policy Uncertainty, we have calculated the two different indices for the period January 2020 to May 2025: the EPU and the EPU-NL. They measure Economic Policy Uncertainty based on media coverage on Dutch newspapers. The first one incorporates any article including mentions of economy, policy and uncertainty, while second covers only Dutch policy.

We find that:

1. **Currently Economic Policy Uncertainty is very high**, primarily driven by President Trump's threats of significantly higher tariffs on goods imports in the United States.
2. The EPU and EPU-NL move less together between January 2020 and May 2025 and they did before that. In other words, the correlation between the EPU and EPU-NL during this period is lower than what has been observed in previous years.[5] This suggests that **uncertainty in the Netherlands is increasingly driven by domestic developments** rather than external influences.
3. **AEX listed companies are already facing the uncertainty of tariffs**. We find that by using a novel approach that quantifies the sentiment from companies' earnings calls and analyst reports.

Economic Policy Uncertainty delays investments, reduces household spending, increases credit spreads and propagates internationally through global value chains.

Why a recalibrated Dutch EPU index matters now

The Netherlands – an open economy whose exports exceed 80% of GDP – sits on the front line of global policy swings. A refined country-specific EPU measure allows us to:

1. Quantify the domestic impact of foreign policy shocks like US tariffs;
2. Benchmark policy communication by Dutch authorities against international peers;
3. Provide high-frequency feedback to forecasters and budget planners when uncertainty surges; and
4. Support corporate risk management as firms can use the EPU index to translate aggregate policy noise into firm specific risk outcomes.

How Economic Policy Uncertainty affects the economy

Uncertainty about economic policy affects the economy through several well-documented channels. First, **firms tend to delay or downscale investment projects** when policy signals are unclear, which in turn depresses total investment in the economy.[6] [7]

Second, **households react to uncertainty by saving more,** due to precaution, **and spending less especially on durable-goods purchases**, such as cars and large home appliances, reducing consumption demand.[8] [9]

Third, **financial markets reflect elevated policy uncertainty through wider credit spreads**, as investors demand greater compensation for perceived risk. That makes borrowing more expensive.[10] [11] Economic Policy Uncertainty can also exert a negative impact on stock prices and optimism about future earnings fades.[12]

Finally, because global value chains span multiple jurisdictions, **policy shocks**, such as unexpected new taxes or sudden lockdowns, **in one major economy can propagate internationally** via trade, foreign direct investment and financial flows.[13]

Quantitatively, a one standard deviation jump in the global EPU index (or an increase in the EPU equivalent by the amount it usually goes up or down) is estimated to reduce GDP across OECD countries by 0.15-0.4% in GDP after four quarters.[14] [15]

Trade policy as a textbook source of uncertainty: the Trump tariffs

Few policy domains generate as much uncertainty as trade. The sharp rise in tariffs and protectionist rhetoric during Donald Trump's presidency – both in his first term and again in the 2024-25 campaign period and first months in office - has repeatedly illustrated how sudden shifts in trade policy can roil markets and delay business decisions.

Since early 2025, renewed tariff threats and implementation signals – accompanied by legal challenges and shifting timelines – have sustained elevated levels of Economic Policy Uncertainty.

How we calculate the EPU index
We follow the newspaper-coverage-frequency approach of Baker, Bloom & Davis (2016).[19] We look at how common the news coverage on Economic Policy Uncertainty (at least one term on each) has been in the top five most popular Dutch newspapers.

We calculate the EPU and the EPU-NL indices, in line with Kroese et al. (2015).[20] For the last one, the policy term must be within five words of a term that indicates it is about the Netherlands. Values are adjusted so that 100 is the average across the period January 2020 - May 2025.

More details on the methodology are available in the Appendix.

Empirical research has linked trade-policy uncertainty to declines in business investment, trade volumes, and global growth. For example, the U.S.-China tariff disputes of 2018-19 were estimated to reduce U.S. investment by 1.5%,[16] while the European Central Bank attributed roughly a third of global decline in investment and 40% of the decline in global imports in 2019 to uncertainty.[17]

Since early 2025, renewed tariff threats and implemen–tation signals – accompanied by legal challenges and shifting timelines – have sustained elevated levels of Economic Policy Uncertainty. While some measures were delayed or softened, the recurring pattern of abrupt announcements, geopolitical tension, and incomplete legal clarity has reinforced trade policy as a persistent and hard-to-price risk factor. The overall economic impact of these tariffs has been negative so far. The World Bank revised down its 2025 global GDP growth forecast in 0.4% after tariffs were announced, forecasting the lowest value since 2008.[18]

Policy Uncertainty Reignited:
US Tariff Escalation and Global Trade Tensions in 2025
Between January and May 2025, the US significantly escalated its tariff policies under President Donald Trump. In January, tariffs on Chinese imports were increased to 145%, prompting China to retaliate with a 125% tariff on US goods and restrictions on rare earth metal exports. By April, the US imposed a universal 10% tariff on all imports, with higher rates for specific countries, citing national security concerns.

These actions led to a stark reaction in financial markets, incentivising the US administration to postpone most tariff increases except for the ones levied on China. Also, legal challenges occurred, and in May, a federal court ruled that the tariffs exceeded presidential authority. However, an appeals court temporarily stalled this decision, allowing the tariffs to remain in effect pending further review.

In late May, President Trump further increased tariffs on steel and aluminium imports from 25% to 50%, effective 4 June, aiming to bolster domestic industries. This move drew criticism from international partners, including the European Union, who expressed concerns over rising costs and indicated potential retaliatory measures.

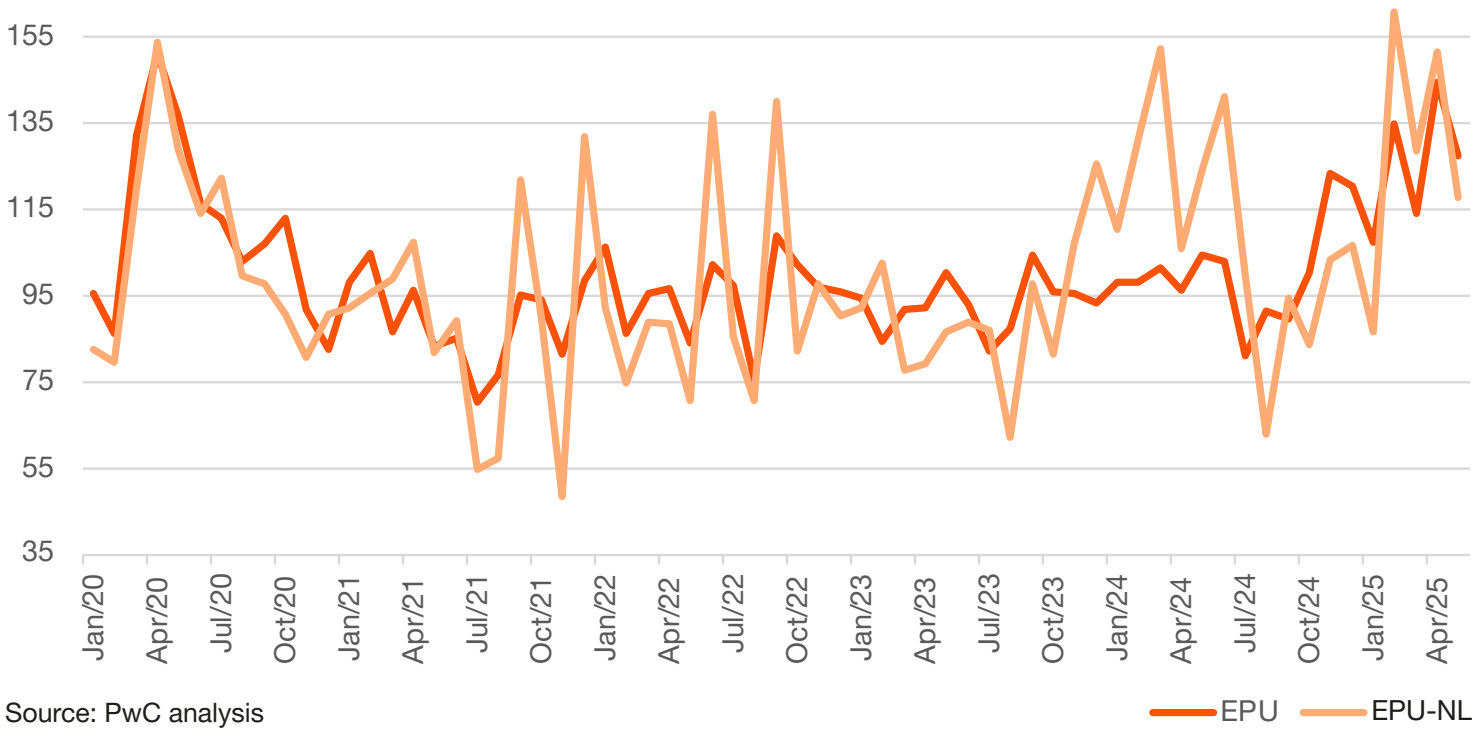
Amidst these developments, the US and China agreed to a temporary truce, but long-term negotiations are still ongoing.

Results

Mouse-over these moments in time:

- **March 20 -** Covid-19 cases surges across Europe, the Dutch government implemented its first nationwide lockdown.
- **January 21 -** Dutch Cabinet collapsed, and the in the following months there are elections and negotiations.
- **December 21 -** Dutch government announced a full national lockdown in response to rapidly rising Omicron variant cases.
- **March 22 -** Russian forces launched a full-scale invasion of Ukraine in the last week of February.
- **June 22 -** Dutch government unveiled a new nitrogen emissions reduction plan, which was followed by protests.
- **September 22 -** Energy price shock, domestic policy firefighting and record inflation.
- **July 23 -** Collapse of Rutte IV cabinet over migration policy.
- **November 23 -** Election followed by a period of coalition talks that were very uncertain.
- **September 24 -** Prinsjesdag 2024 unveiled a deficit critical budget.
- **February 25 -** The escalation of the trade war and global tariff threat.

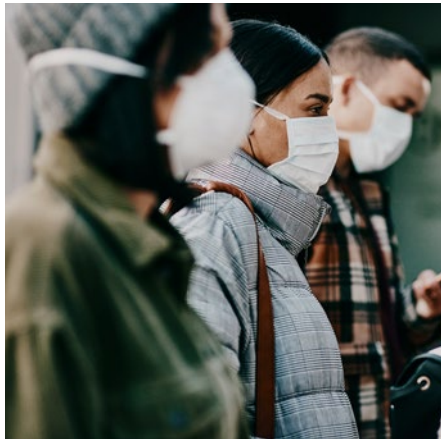
Figure 1 Economic Policy Uncertainty is at its highest value since Covid-19.



Source: PwC analysis

Figure 1 plots the recalculated EPU and EPU-NL series from January 2021 to May 2025. In the last months, EPU has reached its highest value since April 2020, due to an escalating tariff war. Before we do a deep dive into the peaks since 2021, it is worth to look at Figure 1: we see that the EPU-NL is not always following the EPU.

This means that a lot of the uncertainty in the NL is caused by domestic events. When international events are at the heart of Economic Policy Uncertainty, such as during 2020 because of Covid-19 or from February 2025 because of US tariffs, the movement of the two lines is much more aligned.



Correlation between the EPU and the EPU-NL

The monthly correlation between the EPU and the EPU-NL indices over the 2021–2025 period is 0.70, which indicates that a substantial share of Dutch Economic Policy Uncertainty has likely happened because of domestic rather than global factors. The number is substantially lower than the correlation of the two indices between the March 2003 and December 2020 period, when it was 0.86.[21] This reveals that in recent years more Economic Policy Uncertainty has been coming from within the Netherlands than in the past.

What has affected Economic Policy Uncertainty since January 2020?

Nine pronounced spikes stand-out: each lines up with a well-documented episode of political or geopolitical stress:

1 - Covid-19 – March and April 2020

In mid-March 2020, as Covid-19 cases surged across Europe, the Dutch government implemented its first nationwide lockdown, closing schools, bars, restaurants and cultural institutions.

- In mid-March, the Rutte III cabinet announced sweeping closures and restrictions on gatherings. Within a week, all non-essential businesses were impacted, and the economy entered an enforced standstill, except for remote-working activities.
- These measures marked the largest state intervention in the Dutch economy since the Second World War and were initially introduced with open-ended timelines and no fiscal framework, causing sharp increases in Economic Policy Uncertainty.
- The EPU index jumped, driven by coverage on health policies and macroeconomic fallout. In April 2020 the EPU reached 151 and the EPU-NL surpassed 153.
- Media attention focused on hospital capacity, supply-chain breakdowns and speculation about emergency spending – heightening mentions of economic and political risk.
- The index remained high into Q2-2020 as policymakers unveiled successive support packages and struggled to balance containment with reopening.

2- Cabinet collapse, elections and coalition negotiations – January to October 2021

- EPU-NL reached 92 in January 2021 after the Rutte III cabinet resigned over the childcare benefit scandal.
- The index rose a little to 98 by March as the March general election delivered a highly fragmented lower house and kicked off protracted coalition talks.
- The following months saw strong variability in the EPU-NL as coalition talks develop. In July 2021, the value declined substantially to 54, and the Dutch Parliament initiated a recess, with coalition talks happening discretely. A spike in September 2021 coincided with a stalemate in coalition negotiations, as the D66 refused to negotiate with the CU. When the impasse was resolved, the EPU-NL fell significantly in October 2021.

3- Another Covid-19 lockdown – December 2021

In mid-December 2021, the Dutch government announced a full national lockdown in response to rapidly rising Omicron variant cases, shutting down non-essential retail, hospitality, schools and cultural venues just days before the Christmas holidays. This abrupt policy shift, combined with the lack of clarity on reopening timelines and fiscal support, drove a noticeable spike in Dutch Economic Policy Uncertainty.

- The EPU-NL rose sharply to 131, as articles discussing the economic fallout (e.g., retail losses, event cancellations, education gaps) included terms like lockdown, kabinet, and onzekerheid.
- Business associations warned of a new wave of bankruptcies, and debates over compensation measures dominated press coverage.
- The lack of visibility into reopening plans, especially beyond January 2022, sustained elevated uncertainty levels across the new year.

4- Russia's invasion of Ukraine – February 2022

- In the last week of February 2022 Russian forces launched a full-scale invasion of Ukraine.
- Coverage linking sanctions, energy prices and NATO deployments pushed the EPU from 86 in February 2022 to 95 in March 2022.

5- Nitrogen policy announced; protests follow – June 2022

On 10 June 2022, the Dutch government unveiled a new nitrogen emissions reduction plan that assigned region-specific targets, requiring some areas to cut reactive nitrogen by as much as 95%. The EPU-NL rose to 137.

- The announcement triggered an immediate political backlash and farmer protests, as affected communities faced unclear timelines, compensation rules and threats to land use and incomes.
- In the following weeks, tractors blocked motorways, the Dutch Parliament held emergency debates, and newspaper articles were filled with speculation about the legal feasibility of such measures and the potential fallout of the coalition.
- The uncertainty spread beyond agriculture to construction and housing sectors, as nitrogen constraints threatened permits for new infrastructure and housing developments.
- Although the government promised a €25 billion transition fund, details were scarce, and beleidsonzekerheid co-mentions persisted at elevated levels through early July 2022.

6- Energy price shock and domestic policy firefighting - September 2022

September 2022 registered one of the highest readings in our sample (EPU-NL ≈ 140):

- Energy price cap U-turn – The cabinet reversed course, promising a household gas and electricity ceiling from January 2023 without a fully costed plan.
- Prinsjesdag emergency package – A €18 billion bundle was tabled, but key financing details were 'onduidelijk', stoking fiscal debate.
- Record inflation – CBS reported that prices were 17.1 percent higher than a year earlier, and headlines questioned whether government policy could do anything to blunt the shock.
- Nitrogen protests – Tractor convoys returned to The Hague, keeping the stikstof dispute within the same news cycle.

7- Coalition collapse, prolonged negotiations and a legal battle over nitrogen – July 2023 to July 2024

The EPU-NL rose again during a turbulent year in domestic politics, beginning with the collapse of the Rutte IV cabinet on 7 July 2023 over migration policy.

- In the November 2023 elections, the PVV became the largest party, but coalition formation proved to be difficult.
- From December 2023 to March 2024, the EPU-NL exhibited strong variability, as coalition talks stalled. In March 2024, a leaked draft budget showed a €12 billion shortfall, reviving fiscal uncertainty.
- In April 2024 coalition talks evolved, but migration appeared as the bottleneck. An agreement was eventually reached in May 2024.

- In June 2024, the district court of The Hague issued a preliminary injunction in a case brought by Greenpeace against the Dutch state. While the court ruled that the government did not have to take additional emergency measures at that specific time, it critically noted that nitrogen-sensitive nature was in poor condition and that the government's efforts to reduce nitrogen emissions were insufficient to adhere to its goals. The court found that the government had failed to meet statutory nitrogen targets for 2025 and was on track to miss 2030 targets.
- Finally, on 2 July 2024, a coalition agreement is formally unveiled, introducing phased nitrogen goals and structural reforms. While this provides clarity, the prolonged period of ambiguity led to a sustained elevation in policy uncertainty throughout the year.

8- Budget turbulence and nitrogen reset - September 2024

A second late summer spike appears two years later:

- Prinsjesdag 2024 unveiled a deficit critical budget that coalition partners challenged in public.
- Scrapping of the National Nitrogen Plan left housing and agricultural sectors uncertain about permitting rules.

These overlapping shocks generated the highest share of beleid + onzekerheid co-mentions since the energy price crisis, underscoring how domestic political events can match or even exceed external shocks in driving Dutch Economic Policy Uncertainty.

9- The escalation of the trade war and global tariff threat – January–May 2025

April 2025 delivered the highest value in the internationally exposed index since April 2020 (EPU rose to 144):

- 2 April 2025 – A draft proclamation proposed a 25% surcharge on a wide swath of manufactured imports and imposed a universal 10% tariff on all imports, with higher rates for specific countries.
- Trade tensions persisted in May, with the values declining but remaining substantially higher than historical averages.

Coverage of these events produced the high share of tariff-linked EPU co-mentions, emphasising how global trade policy can reverberate through a small open economy like the Netherlands.

How uncertainty translates into (a lack of) business decision-making

As discussed previously, a major source of Economic Policy Uncertainty globally and in the Netherlands has been President Trump's tariffs. While the direct economic impact of these tariffs might have been limited for the Netherlands so far, compared to other EU member states, the indirect repercussions, such as the elevated Economic Policy Uncertainty, will likely lead to lower economic growth in the long run.[22] To gain a deeper understanding of how it influences Dutch companies, we analyse their exposure to tariffs.

How we measure the AEX's exposure to tariffs over time

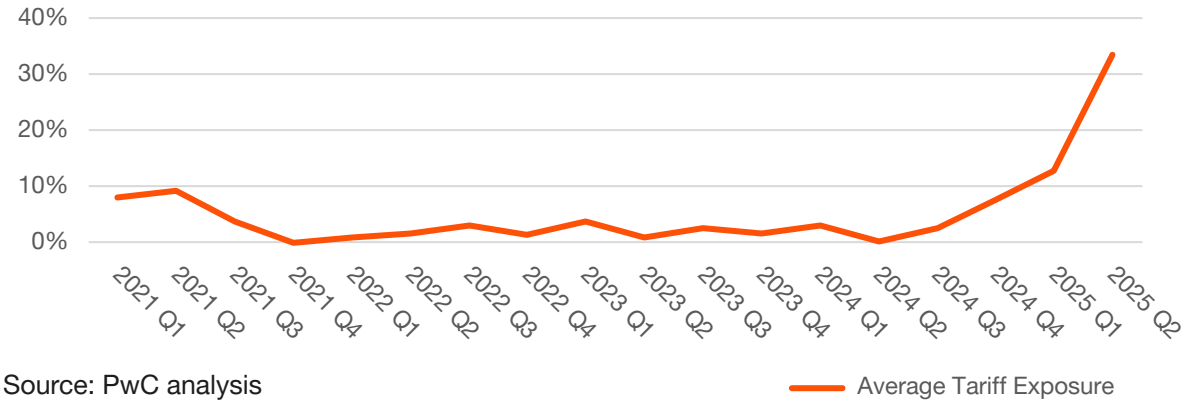
To analyse how Dutch businesses could have been impacted by Economic Policy Uncertainty, we use a novel approach that is based on an analysis of earnings calls and analyst reports.[23] In detail, we measure the extent to which AEX-listed companies' exposure to tariffs is mentioned in their earnings calls and analyst reports to understand on a macroeconomic level how EPU translates into business decision-making.

To quantify the qualitative data, we follow the methodology of Clayton et al. (2025).[24] Specifically, we first flag each earnings call or report whether it covers tariffs or not. Subsequently, we summarise each flagged document concerning its tariff-related content. Lastly, we analyse companies' responses to tariff exposure using a pre-defined list of strategic response options.

Our data includes earnings calls and reports from for all currently listed AEX companies from 2021 until today. Because not all companies have the same data at each point in time, we first calculate each company's tariff exposure per quarter. Then, we take the average of all those companies to estimate how much the whole AEX index is affected by tariffs each quarter. Figure 2 thus illustrates the average percentage of AEX companies whose exposure to tariffs is mentioned in earnings calls and analyst reports or in short: the AEX's tariff exposure.

AEX companies' tariff exposure increased from 8% in Q4-2024, to 13% in Q1-2025 and ultimately to 34% in Q2-2025.

Figure 2 AEX companies' average tariff exposure has spiked in line with the EPU indices



Source: PwC analysis

To understand how companies are impacted by Economic Policy Uncertainty, we analyse the distribution of strategic choices AEX companies make when facing tariffs. We first define potential strategic choices using the methodology as described in the Geoeconomic Pressure Project.[25] Similarly to the tariff exposure, we calculate each company's strategic response distribution first, then average across companies to estimate the AEX's overall tariff response strategy. We illustrate these findings in Figure 3.

The Dutch EPU is significantly impacted by tariffs

Figure 2 indicates that the threat of tariffs for AEX-listed companies has been rising since Trump's re-election in November 2025. This development signals that Dutch companies started being aware of potential shifts in US trade policies before the official change in US administration took place. Analysing the spike in the global and Dutch EPU following the announcement of "Liberation Day" tariffs on 2 April 2025, we can identify a strong positive correlation. Specifically, AEX companies' tariff exposure increased from 8% in Q4-2024, to 13% in Q1-2025 and ultimately to 34% in Q2-2025.

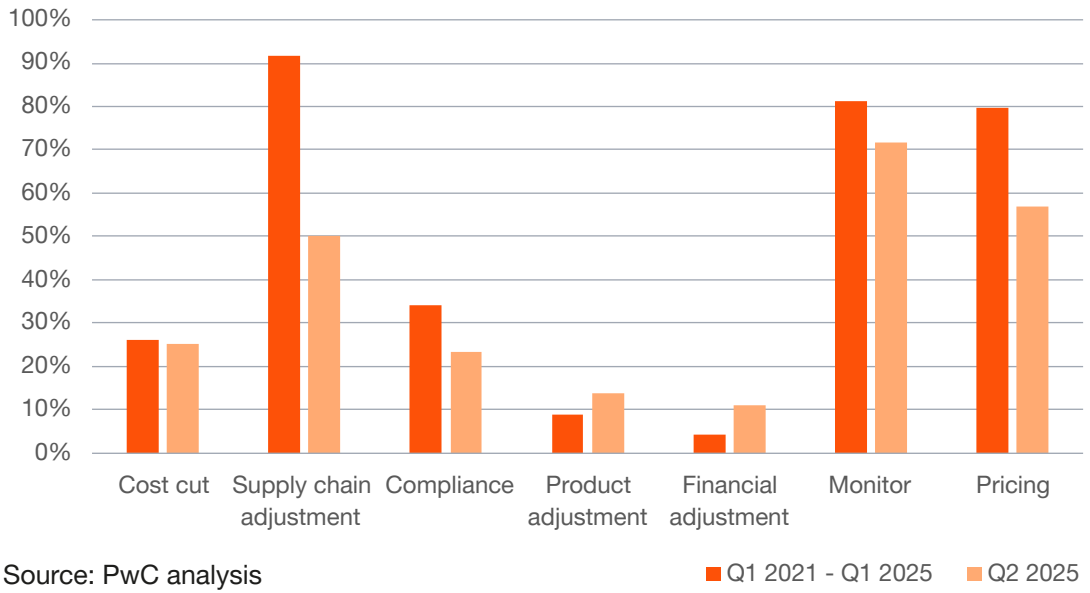
AEX companies are most likely to use supply chain and pricing adjustments, as well as monitoring tools, to respond to tariffs.

The increase in tariff-related EPU inhibits AEX companies from making strategic long-term decisions

Figure 3 illustrates the distribution of different strategic responses made by AEX companies that are exposed to tariffs (see Appendix for definitions of each response). Over the sample, AEX companies are most likely to use supply chain and pricing adjustments, as well as monitoring tools, to respond to tariffs. In contrast, companies are less likely to initiate additional compliance measures, product or financial adjustments.

To create a deeper understanding of how companies respond to tariff exposure over time, we define two time periods: (1) from 2021 until "Liberation Day" and (2) "Liberation Day" until now. Figure 3 shows a stark contrast between the two time periods.

Figure 3 The recent spike in trade uncertainty is inhibiting companies to make strategic choices*



Source: PwC analysis

* We excluded the strategic tariff responses Market exit, Legal, and Expansion due to their limited response rate. Due to its recency, the post "Liberation Day" sample size is relatively smaller than the previous quarters, indicating that small changes in a company's exposure might have larger impacts on the aggregated changes we visualize in Figure 3.

As tariff measures have been changing constantly, companies are inhibited to make strategic long-term commitments that have previously enabled them to circumnavigate elevated tariff exposure.

Interesting to note is that the relative total amount of strategic tariff responses declined. AEX companies seem less likely to have a strategic response to the tariff exposure, given the significant Economic Policy Uncertainty. As tariff measures have been changing constantly, companies are inhibited to make strategic long-term commitments that have previously enabled them to circumnavigate elevated tariff exposure. In detail, post “Liberation Day”, companies exhibit a strong decline in supply chain adjustments. On the one hand, this exemplifies their difficulties in formulating strategic responses that require larger investments. On the other hand, companies might have anticipated the change in US trade policy and proactively adjusted supply chains, explaining why 92% of tariff-exposed companies mention supply chain adjustments as a strategic response before Q2-2025 and only 50% afterwards.

In contrast, the relative importance of monitoring activities, cutting costs, or adapting pricing strategies for AEX companies has increased. This indicates potentially more temporary and operational changes gaining importance over structural, cost-intensive transformations.

These behavioural changes underscore the paralysing impact of the economic uncertainty caused by the ongoing unpredictability of US trade policy. This ambiguity continues to inhibit necessary long-term investments, threatening global and European economic growth.

Appendix

EPU indices

Conceptual framework

We follow the newspaper-coverage-frequency approach of Baker, Bloom & Davis (2016): an article is deemed to reflect economic policy uncertainty (EPU) when it contains (i) an **economy/finance** term **E**, (ii) a policy-making term **P**, and (iii) an uncertainty term **U**.

Newspaper corpus and time span

- **Sources:** Five national dailies available in full text on LexisNexis: Trouw, de Telegraaf, de Volkskrant, AD and NRC.
- **Sample window:** January 2020 – May 2025

Search strategies

Two keyword sets are implemented. Wildcard * equals zero or more characters; proximity operator NEAR5 requires the two tokens to occur ≤5 words apart, any order.

General EPU query (EPU)

(onzeker* OR onbekend* OR onstabiel* OR “niet zeker” OR onbepaald* OR riskant* OR risico* OR onbetrouwbaar* OR schommelingen* OR onvoorspelbaar* OR onduidelijk*)

AND

(financieel* OR econom* OR Financiën OR Macro-economi* OR Fiscaal* OR Fiscale OR Monetair* OR Ondernemerschap OR Markteconomi* OR Investering* OR Sociaaleconomisch*)

AND

(overheid* OR regerings* OR autoriteiten* OR minister* OR parlement* OR belasting* OR regulering* OR “centrale bank” OR imf OR “internationaal monetair fonds” OR wereldbank OR “World Bank” OR beleid* OR bewind* OR politiek* OR kabinet* OR begroting* OR Bestuur* OR Regelgeving* OR Wetgev* OR Richtlijn* OR staatsSecretaris* OR Heffing* OR Accijns* OR Tarief* OR torentje* OR binnenhof)

Domestic only EPU query (EPU-NL)

(onzeker* OR onbekend* OR onstabiel* OR “niet zeker” OR onbepaald* OR riskant* OR risico* OR onbetrouwbaar* OR schommelingen* OR onvoorspelbaar* OR onduidelijk*)

AND

(financieel* OR econom* OR Financiën OR Macro-economi* OR Fiscaal* OR Fiscale OR Monetair* OR Ondernemerschap OR Markteconomi* OR Investering* OR Sociaaleconomisch*)

AND

((overheid* OR regerings* OR autoriteiten* OR minister* OR parlement* OR belasting* OR regulering* OR "centrale bank" OR imf OR "internationaal monetair fonds" OR wereldbank OR "World Bank" OR beleid* OR bewind* OR politiek* OR kabinet* OR begroting* OR Bestuur* OR Regelgeving* OR Wetgev* OR Richtlijn* OR staatsSecretaris* OR Heffing* OR Accijns* OR Tarief* OR torentje* OR binnenhof) NEAR5 ("The Netherlands" OR Nederland OR Dutch OR Nederlands OR Holland OR "Den Haag" OR 'sGravenhage' OR haags*))

The **EPU-NL** variant restricts the Policy term to be in the immediate vicinity (≤5 words) of a Dutch geographical signal, filtering out imported policy uncertainty.

Article classification algorithm

For each newspaper j in month t:

1. **EPU hit count:** number of articles matching the query.
2. **Total article count:** number of LexisNexis records for the same source and month.
3. **Hit rate:** EPU hit count divided by Total article count.
4. **EPU** is calculated by:
    1. normalising the hit rate per source,
    2. averaging the newspapers values for each month into a monthly score and
    3. rescaling it so that the average across time is 100.

Tariff responses

Definition of companies' tariff responses from Clayton et al. (2025)

Exiting a market – examples involve halting sales to or purchases from a particular country, selling non-financial assets such as physical capital based in a particular country

Cost-cutting measures – examples involve reducing costs, reducing workforce or input purchases

Adjusting supply chain and shifting production – examples involve altering suppliers, production locations, or distribution networks

Compliance measures – examples include engaging with regulators, obtaining permits, communicating with authorities, or implementing compliance processes

Adjusting products or business focus – examples include shifting focus to different products, services, or business lines

Financial adjustments – examples include adjusting the financial structure of the firm, implementing financial hedges, or changing financial capital allocation

Monitoring the situation and being cautious – examples include delaying major decisions or simply monitoring changes without immediate action

Adjusting prices and passing costs to customers – examples include increasing or decreasing prices in response to policy changes

Litigation and legal actions – examples include filing lawsuits, appealing regulations, or engaging in legal disputes – Note: Legal is excluded in Figure [] as no company in the sample mentioned legal changes due to tariff exposure

Investing in new projects and expansion – examples include expanding capacity, entering new markets, or launching new initiatives

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