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Dutch government coalition talks collapse. No reason to worry about the economy

- Negotiations to form a coalition government in the Netherlands collapsed after two months of talks.
- Why did the talks fail?
 - The rupture of the negotiations between Prime Minister Rutte's Liberals, the Christian Democrats, the centrist D66 party and the Greens came two months after the general election. The cause was reportedly said to be over disagreements on immigration.
 - Coalition talks are held behind closed doors, so nobody knows exactly what has happened. It would appear that the talks have broken down because of differences in view over immigration, where VVD and CDA stood against D66 and GroenLinks.
 - But talks over climate policies were, apparently, also very difficult.
- What next?
 - The leader of the talks, Health Minister Edith Schippers will present her report to parliament and then parliament will decide what next steps can be taken.
 - Her task was to explore the possibility of a four-party coalition. The current Prime Minister, Mark Rutte, still wants a new government to be formed before the parliament's summer break (7 July), but that now looks difficult.
 - It is possible that a new coalition will be tried. Another party, instead of GroenLinks could get involved. The ChristenUnie (5, Social Christians) are the most logical. However, that reduces the parliamentary majority to just one, although there is talk of further support of smaller parties. Another problem with such a combination is that the ChristUnie's views on immigration are similar to those of GroenLinks.
 - According to some sources, there is no reason to worry about the economy or the public finances.
- Is a Populist & Euroskeptic government a risk? No. Geert Wilders' PVV (20, Freedom Party) would, at least numerically, also be a possibility. However, most other parties have pledged that they will not work together with the PVV in a new government. It is hard to see them breaking that pledge.

- What does this all mean for the economy?
 - Prime Minister Rutte has said that he still would like to see a new government installed before parliament's summer break, 7 July. If a new government is in place before the summer, the new cabinet can write the 2018 budget and include new policy initiatives. If the current caretaker government is still in place during the summer, no new significant policy measures can be taken in the budget, which will be presented to parliament on the third Tuesday of September.
 - The Dutch economy is doing well. Economic growth is relatively strong. GDP growth is estimated at around 2.5% this year. That is above trend. Tax buoyancy is strong and public finances are developing favorably.
 - The government budget was in surplus last year to the tune of 0.4% GDP. On unchanged policies the government is expected to run a surplus of 0.8 – 1.0% in 2018.

Kind regards,

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