

A guide to the upcoming Belgian elections

A minority and caretaker government is expected to remain in place until the federal, regional and European elections on 26 May. During this period, no major policy changes are expected. But after the elections, the formation of the next government will take time and will probably require a new State reform, giving more power to the regions



Caretaker government

Just before Christmas, the Belgian king accepted the resignation of prime minister Charles Michel and the Belgian government. But given that parliament has not been dissolved, the minority government remains in place as a caretaker government and will stay until a new government is in place after the federal elections in five months

The road to elections

The elections are scheduled for 26 May, at the same time as the regional and European elections. Currently, a majority of parties prefer to keep this date and not call early elections. So our base case is that the minority government will stay in place until at least the end of May. But the main question is what should we expect from such a situation?

A caretaker government can't take on new initiatives, and since it doesn't have a majority in the parliament, it would be pointless anyway. On the other hand, the prime minister proposed to the parliament to form alternative majorities to take steps forward on specific topics such as ecological transition, purchasing power, security and justice, etc.

Nobody officially rejects this option, but we shouldn't expect much from this way of working. Many topics are linked to each other and are the result of compromises between the former coalition partners, so it is difficult to separate them. Moreover, since the elections are in five months, many political parties are now in campaign mode. It will, therefore, be tempting to present to parliament texts that are perfectly in line with their core electorate, rather than seeking compromises with other parties. In the end, the room to manoeuvre in terms of economic policy may, therefore, be very limited.

After the elections

Bear in mind, on 26 May, European, federal and regional elections will also take place. This is important because it means that a majority in the federal parliament will have to be found at the same time as regional majorities. Since these two levels of power share, certain crucial fields of competence and responsibilities (taxation, labour market, etc), a certain symmetry of federal and regional majorities remains more efficient.

Based on the results of the local elections held in October 2018, and the political barometer published by various media houses in December (but before the beginning of the political crisis), we can already draw some conclusions:

In terms of election results, all the parties of the former majority risk losing seats in parliament. Therefore, the renewal of the previous majority seems impossible. Moreover, even in the unlikely scenario that the same parties could renew their majority, given the origin of the political crisis of December 2018, it would be a stretch (though nothing is impossible) that these parties agree to relaunch the same majority.

The seats lost by the parties of the former majority and by the other traditional parties would be, according to the polls, partly won by the Greens. The remaining seats would be won by the extremist parties, the far right on the Dutch-speaking side and the far left on the French-speaking side. In the end, the electorate would slide slightly to the right of the political spectrum in Flanders and to the left in Wallonia and in the Brussels Region.

But it should be noted that at this stage, the extreme parties remain quite small in Belgium, compared to countries like France, Italy or Spain.

In this context, negotiations may take a long time. Different coalitions are possible and no party would be unavoidable at the federal level. However, the only coalition that would win a majority in both the federal parliament and the Flemish and Walloon parliaments would bring together the N-VA, the liberals and the socialists. That said, after previous federal and regional elections, the N-VA and the French-speaking socialist party excluded to work in the same government.

Therefore, it is very likely that the majorities will not be symmetrical between the federal level and the Regions. This will require longer negotiations and diminish the effectiveness of economic policy afterwards. A new State reform could also be the price to pay for having a government at the federal level.

Finally, another lesson from the latest election results and polls is that it will be very difficult to form a majority with a clear political leadership (left or right). The coalitions with the highest probabilities gather parties at opposite ends of the political spectrum (which is not unusual in Belgium). It is certainly a handicap to carry out clear and broad structural reforms. On the other hand, by leading to compromises, parties that are politically opposed but belonging to the same majority have in the past managed to limit opposition in the street. It should be remembered that the previous government, oriented rather to the right, faced very tough opposition and an unusually high number of strike days. So we think that a broad coalition could diminish social unrest at the price of less structural reform.

Conclusions

Given these elements, it seems likely that a caretaker federal government will remain in place for most of 2019 without any real economic policy initiative. But we must also remember that at the same time regional governments are still in place and could form faster than the federal government after the elections.

This situation should not necessarily jeopardise the state of public finances. Admittedly, savings measures decided by the previous government will not come into force in 2019. Based solely on the measures that had been voted, the central bank expects a deterioration of the budget deficit, which would go from -0.8% of GDP in 2018 to -1.6% of GDP this year. This deterioration, which does not meet the objectives of the European Commission, would nevertheless allow the debt ratio to fall slightly to 101.4% of GDP in 2019 from 102.3% in 2018.

We must, therefore, prepare for a long period of muddling through, but we don't expect much deterioration of public finances.

Political parties guide

The past coalitions in the Federal government were formed by:

NV-A (until December 2018) – MR – Open vld – CD&V

Extrapolating the results of local elections in October and the most recent poll, four coalitions have a high probability of reaching a majority:

- **NV-A – MR – Open vld – CD&V – cdH**
Centre-right coalition that would show some continuity with the past government, but would probably not be replicable in Wallonia and doesn't include the Greens that might turn out to be one of the winners of the next elections.
- **NV-A – MR – Open vld – PS – Sp.a**
Broad coalition and probably the only one that is likely to be replicable at the regional level. That said, it needs the NV-A and the PS to accept working together (was excluded in 2014).
- **MR – Open vld – PS – Sp.a. – cdH – CD&V**
The broad coalition that could probably not be replicable in Flanders.
- **MR – Open vld – PS – sp.a. – Ecolo – Groen**
A broad coalition including one of the likely winners of the next elections but that could probably not be replicable in Flanders.

Other coalitions are close to a majority but they don't reach it in the current polls. It is the case for a centre-left majority (PS – Sp.a. – Groen – Ecolo – CD&V – cdH – Défi) or a coalition joining the liberals (MR – Open vld), the Christian Democrats (CD&V – cdH) and the Greens (Groen – Ecolo). On the contrary, it seems that a left coalition or a right coalition would not reach any majority.

Different political parties in Belgium:

- CD&V: center (previously Christian democrats - NL)
- cdH: center (previously Christian democrats – FR)
- Défi: previously part of the MR, now more at the center (FR)
- Ecolo: green party (FR)
- Groen: green party (NL)
- MR: liberals (FR)
- N-VA : Nationalist Flemish party (economically oriented to the right - NL)
- Open Vld: liberals (NL)
- Parti populaire: extreme right party (FR)
- PS: socialist party (FR)
- PTB: extreme left (FR)
- PvdA: Extreme left (NL)
- Sp.a: socialist party (NL)
- Vlaams Belang: extreme right and nationalist party (NL)
(FR): French speaking; (NL): Dutch speaking

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