

## Dutch political parties want to continue fiscal expansion of previous administration

In the run-up to parliamentary elections on 22 November, Dutch political parties are signalling they want to continue most of the fiscal expansion set out by the previous government. While, on average, the degree of intended expansion looks unchanged, most potential coalition parties are aiming for a little more prudence



### Polls suggest possible significant changes to votes

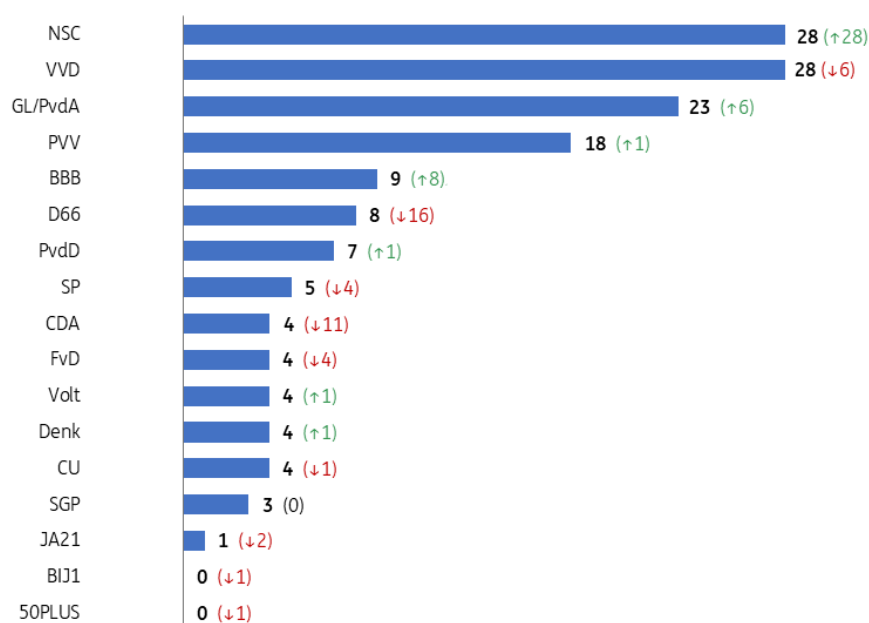
A lot could potentially change in Dutch politics after the elections for the House of Representatives (Tweede Kamer) on 22 November. Many (traditional) political parties have a new leader, and most [recent polls](#) suggest some significant changes in support. Compared to the election results of March 2021, those polls suggest losses for the Rutte IV coalition parties comprising of the Liberal conservatives VVD, centrist liberal democrats D66, Christian democrats CDA and the Christian-social CU, with particular losses for the CDA and D66.

The new NSC party, led by former CDA member Pieter Omtzigt, has put public sector accountability

on the political agenda and is currently the largest winner in the polls with 27 of the total of 150 seats, potentially receiving as many votes as VVD. Another relatively new party, the farmers' and citizens' BBB, seems to have gained much more support (with 12 seats compared to the previous 1 in recent polls), while the new combination of formerly independent parties, the social democrats PvdA and progressive green left GroenLinks, are also projected to make a substantial gain in votes (from their combined 17 seats currently to 24). Such changes in votes potentially bring about substantial policy changes. Here, we look at what political parties intend for fiscal policy.

## Polls suggest possibly significant changes to votes for the Dutch parliament

Point estimate of polled number of seats for the Dutch House of Representative\*, point estimate and change compared to 2021 vote result



Source: Peilingwijzer of 8 November 2023. \*Estimates based on polls of I&O Research and Ipsos/EenVandaag, taking into account variance and so called "house effects"

## Only detailed quantification of fiscal policy possible for a subset of political parties

This week, CPB (Netherlands Bureau for Economic Policy Analysis) [analysed the fiscal and economic effects of the policies in manifestos](#) of a number of volunteering political parties. This allows us to get a feel for the degree of fiscal expansion that we could expect. Not all parties participated in this exercise. We therefore also rely on more [broad-brush analyses of former CPB-economist Wim Suyker](#), who tried to estimate the fiscal deficit resulting from the plans of elderly-centred social-conservatives 50+, BBB, populist conservative liberals BVNL, the diversity-focused Denk, NSC, progressive left animal-friendly party PvdD and socialist party SP. Unfortunately, the manifestos of Geert Wilder's populist conservative party PVV, Thierry Baudet's populist conservative liberals FvD and Edson Olff's inclusion-focused BIJ1 were too nebulous to even put a rough number on. As such, we are more or less able to quantify the plans for parties that have 85% of the votes in the latest poll.

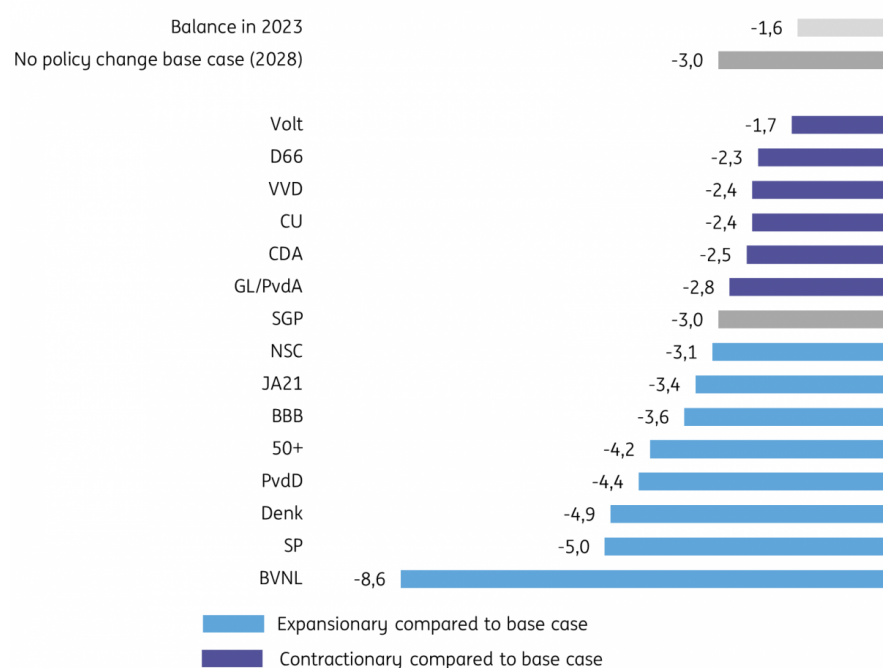
## While party differences exist, on average the direction of fiscal would remain largely unchanged

The Rutte IV coalition agreement was set to have the most expansionary set of policies in recent Dutch history, but the government collapsed. These plans are taken as the base case, as they have, to a significant extent, already been broadly set in motion. For our classification of the intended fiscal stance of political parties in the next government term, we focus on the projections for the structural government budget estimated for 2028. The picture appears very mixed: there are parties, with BVNL, SP and Denk on the one extreme, that wish to implement even more expansionary policies than the previous government (-3.0% GDP structural balance in 2028), while there are also those, especially pan-European social liberals Volt and to a lesser extent D66, VVD and CU, which opt for more fiscal prudence.

Parties that are fiscally loose in many cases would widen the deficit by one or a few percentage points of GDP whereas more prudent parties generally aim to reduce the structural deficit by about half a percentage point of GDP.

## Projected structural government budget balance as % of GDP in 2028 if plans of manifestos are implemented

Projected structural government budget balance as % of GDP in 2028 in case plans of manifestos are implemented



Source: CPB, Wim Suyker, and Peilingwijzer of 8 November 2023, calculations ING Research; \*Actual budget balance estimates by Wim Suyker are adjusted 0.6% GDP upwards to get at an estimate for the structural balance. These imply the base case + initial fiscal eff

If we weight the estimates for the parties by their share of votes in the most recent polls, Dutch political parties on average look like they intend to continue the expansionary policy that the

previous government had already planned. Together, they would aim at a structural deficit of 3.0% of GDP, similar to the base case.

## Parties with higher likelihood of joining the coalition tend to opt for more fiscal prudence

Such a weighted average includes parties that are not so likely to govern. It is, however, also quite difficult to exactly predict the composition of the next coalition. If we focus on the parties that are, in our view, somewhat more likely to govern (for example, because of more support, a history of participating in coalitions, fewer populist tendencies, etc.), we do however observe that there is a tendency towards a bit more fiscal prudence than the course that the previous government had set out.

## Fiscal policy will remain supportive for economic growth in the short run

That said, independent of which parties will govern, fiscal policy is most likely to remain expansionary when we have a look at the structural deficit over time. The structural government budget was [estimated at -1.6% of GDP for 2023](#). All parties will increase that deficit toward 2028. Only Volt (-1.7% of GDP) comes close to having hardly any fiscal thrust intended. Hence, we can conclude that it seems likely that fiscal policy will remain at least somewhat supportive of economic growth in the coming years.

### Author

#### Marcel Klok

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.