

18 December 2017
Snap

Austria's new coalition gets started

Sebastian Kurz is now officially Austria's new chancellor, making him the youngest leader in the European Union

Today's inauguration of the new Austrian government went smoothly in Vienna's Hofburg palace, apart from the fact, that Vice Chancellor Heinz-Christian Strache was almost forgotten during handshakes and vows with President Alexander Van der Bellen. Outside the Hofburg, up to 6,000 people were demonstrating against the coalition of conservative ÖVP and the right-wing populist FPÖ and its migration and asylum plans.

While Kurz's ÖVP has eight ministerial posts such as the Finance and Economics ministry as well as the Chancellery Minister including EU affairs, the junior coalition partner, FPÖ, secured six posts, among others the Foreign, Interior and Defence ministries. Interestingly, Vice-Chancellor Strache will not head the Ministry of Finance or Foreign Affairs (as common for junior coalition partners in many other European countries) but becomes Minister for Sports and Civil Servants.

The new government is making every effort to position itself as clearly pro-European. This is reflected by the fact that Chancellor Kurz has moved the entire file for Europe out of the Foreign Affairs ministry to his own Chancellery ministry. Also, Europe - together with the constitution - is listed as the first item on the agenda (the previous Austrian government had Europe at number five). The FPÖ has already abandoned its opposition to CETA (the trade agreement between the EU and Canada) and no longer insists on a referendum on Austria's EU membership. The FPÖ's choice of ministries, as well as Kurz's move to exclude Europe from the Ministry of Foreign Affairs, illustrates that the FPÖ will probably focus on domestic rather than international issues. As to the future of the EU, the new government positions itself for "doing less more efficiently" and wants to achieve more subsidiarity. Nevertheless, the new government still has to prove how much it actually lives up to its own expectations. Its strict asylum requirements must be brought in line with EU interests.

At least when it comes to the economy, Austria has currently returned to star level within the EU. With quarterly GDP growth of above 3% YoY, Austria has become one of the fast-growers of the Eurozone. Whether the country will also become a Eurozone showcase model with regards to politics is now in the hands of Chancellor Sebastian Kurz and vice-chancellor Heinz-Christian Strache. The composition of the new government gives very little reason to expect a repeat of the earlier ÖVP/FPÖ government in the early 2000s. Many EU members at the time were less than happy with the FPÖ's frontman Jörg Haider and took action against Austria by neither operating nor accepting official bilateral contacts at a political level. A repeat of that this time around seems highly unlikely.

Inga Fechner

Economist, Germany, Austria

+49 69 27222 66131

inga.fechner@ing-diba.de

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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.