

New coalition in the Netherlands unintentionally levels income distribution further

A first analysis by the CPB of the economic effects of the headline agreement of the prospective Dutch coalition broadly confirms our initial assessment. New insights reveal that the agreement is relatively more supportive of lower incomes, contrary to the coalition's goal of "no more levelling of the income distribution"



(L-R) Party leaders Pieter Omtzigt (NSC), Caroline van der Plas (BBB), Geert Wilders (PVV) and Dilan Yesilgoz (VVD)

Purchasing power boost contributes to mildly stronger GDP growth in the short run

Last night, the independent Netherlands Bureau of Economic Policy Analysis (CPB) published a [first impact assessment](#) of the [headline agreement](#). Compared to the baseline that contains the policy path of the previous government, the new policy plans are projected to boost GDP growth mildly, by 0.1 percentage point per year on average in 2025-2028. This is mostly the result of higher public expenditures in the short run, higher private investment in housing and a boost to consumption via purchasing power measures, confirming [our more elaborate initial analysis](#).

[See here for our assessment of the headline agreement](#)

Further levelling of the income distribution

This impact of the boost to purchasing power of households is, however, different than initially anticipated by the coalition: it is less aimed at middle-income households. Based on the CPB's assessment, the proposed policy changes are estimated to have the opposite effect versus the stated goal of "no additional levelling of the income distribution".

Lower-income households are profiting more than middle- and higher-income households: (on average lower income) households on benefits and pensioners are expected to see a boost to purchasing power of +0.5 percentage points on average per year (in 2025-2028) and +0.3 percentage points, respectively, while households with a job can expect a +0.1 percentage point boost.

The fact that lower-income households are profiting relatively more is due to an increase in welfare benefits, increases in rental and health care allowances and a rise in the child-related allowance, among other things. This is the result of another goal in the agreement, to end child poverty.

Author

Marcel Klok

Senior Economist, Netherlands

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 www.ing.com.