

Political drama in the Netherlands will cost time

The Dutch caretaker Prime Minister, Mark Rutte, remains under intense pressure despite narrowly winning a vote of no-confidence. If the current political deadlock can't be broken, there's a possibility that we could see another general election in the Netherlands



Under pressure: The Dutch caretaker prime minister, Mark Rutte

This weekend the Christin Union, the current junior coalition partner of Dutch Prime Minister Mark Rutte announced it will not be part of any new government headed by him. This move came after a week with a lot of political drama, following the elections on 17 March. Last Thursday, Rutte's other two coalition parties brought forward a motion of censure against him after he narrowly won a no-confidence vote. The upheaval is a result of the first steps in forming a new coalition.

The Prime Minister had stated several times that during a confidential discussion on the next government that he had not spoken about a very popular yet critical MP who has been re-elected by a large popular vote. However, the notes of these meetings showed that he had. There are two major consequences of all this. The first is that the formation of a new coalition will probably take longer than expected. The second is the chances that the current coalition can continue are clearly diminished.

The alternatives might be a coalition with the liberal-conservative VVD under new leadership

(which the party has said it will not pursue at this stage) or a rainbow coalition, combining social liberal, Christian and two or three left-wing parties or a very broad progressive coalition, excluding PM Rutte's VVD. The latter would mean that up to eight parties would have to support and/or take part in the new coalition.

The current political distrust makes it more difficult to decide on anything material

Both alternatives would lead to a government slightly more pro-European and more left-wing than what we have now. The political likelihood of all the options currently seems low. And if those options fail, parliament may decide that new elections are needed.

The current caretaker government, led by Rutte, will govern until a new one has been formed. This can take months and the current political distrust makes it more difficult to decide on anything material in the meantime, with the exception of its handling of the pandemic and the extension of existing economic support measures. The Dutch economy, therefore, is unlikely to benefit from a post-covid economic recovery plan this year, which Rutte suggested would have to be decided upon as quickly as possible. And that's why we aren't changing [our economic outlook](#), as this possible additional fiscal stimulus wasn't part of our current economic forecast.

Author

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@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.