

NETHERLANDS: A LIBERAL VICTORY AT THE GENERAL ELECTION

Raymond Van der Putten

The VVD (conservative free-market liberals) and D66 (social liberals) were the big winners at the general election held on 17 March, by gaining 35 and 23 seats, respectively. However, the CDA (Christian Democrats) lost heavily.

The populist right won slightly as the losses at the PVV were compensated by a huge gain by the FvD, which had campaigned against the lockdown measures.

The parties on the left suffered severe losses and tumbled from 37 seats in the old parliament to only 26. In particular, the losses of the Greens were surprising given the importance of environmental issues for the Dutch electorate.

As the country has been going through the worst crisis since World War II, the formation of a new and stable government is highly desirable. Given the election results, the government formation period can be relatively short, in particular if the CDA is willing to join VVD and D66. Prime minister Mark Rutte has already expressed his preference for such a coalition.

THE MAIN PARTIES IN THE DUTCH GENERAL ELECTION

Party	Orientation	Seats at the second chamber	
		2017	2021
VVD	Party for Freedom and Democracy	33	35
D66	Democrats 1966	19	23
PVV	Freedom Party	20	17
CDA	Christian Democratic Appeal	19	15
PvdA	Labour Party	9	9
SP	Socialist Party	14	9
FvD	Forum for Democracy	2	8
GL	Green Left	14	8
PvdD	Party for the Animals	5	6
CU	Christian Union	5	5
Others		10	16
Total		150	150

SOURCE: PRELIMINARY RESULTS ACCORDING TO THE DUTCH PRESS AGENCY ANP

The liberal parties won the general election

The liberals were the great winners at the Dutch general election held on 17 March. The VVD (conservative free-market liberals) headed by prime minister Mark Rutte gained 35 seats and became again the country's largest party. This was largely based on the prime minister's management of the corona-crisis. Thanks to a rather mild lockdown, the Netherlands fared better in economic terms than the surrounding countries. In 2020, the economy shrank by 3.8% compared with contractions of 4.9% in Germany, 6.4% in Belgium and 8.2% in France. A contributory factor was the good fiscal position, which gave the Dutch government more fiscal leeway in softening the impact of the lockdown measures. However, the health record, broadly similar as the one in France, was much worse than in Germany.

The greatest surprise was the good performance of the Democrats 66 (social liberals), a coalition partner of the VVD in the outgoing Rutte government. In the past couple of months, opinion polls had predicted severe losses for this formation. However, in the final week, the leader of the Democrats, foreign trade minister Sigrid Kaag, turned out to be an excellent debater and succeeded in turning the tide for her party. In the end, it obtained 23 seats, close to the party's record in 1994 (24 seats).

However, the CDA (Christian Democrats), the other major coalition partner, lost heavily. This was partly due to the lack of preparation by its leader, finance minister Wopke Hoekstra, who at the last moment stepped in for the designated leader, the health minister Hugo de Jonge, who was too much involved in the corona-crisis. Moreover, many traditional CDA voters considered the finance minister to be too close to the prime minister and lacking the social fibre of the Christian Democrats.

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

The parties on the extreme right of the political spectrum did slightly better compared to four years earlier. The anti-immigration party PVV lost 3 seats, but with 17 seats in the new parliament, it is still the third party of the country. The campaign against the government's corona policy by Forum for Democracy, the other major populist party, paid off. The Forum won 8 seats, 6 more than in the previous parliament.

The parties on the left suffered severe losses. They tumbled from 37 seats in the old parliament to only 26. The Labour Party (PvdA, social democrats) just managed to hold on to their meagre score of 9 seats obtained in 2017. The party had expected a much better result following its strong performance in the latest European election. However, the party was severely tainted by a scandal concerning false accusations of fraud with childcare benefits that was revealed a couple of months before the election. The environmentalist party Green-Left (GL) and the Socialist Party (radical left) suffered severe losses. In particular, the losses of GL were surprising given the importance of environmental issues for the Dutch electorate. It is possible that many voters were disappointed that GL had chosen the opposition after its impressive gains in 2017. As a result, they might have thought that D66 was a better bet for a strong environmental policy.¹

Many new parties will enter parliament. The most remarkable debut was that of Volt, a pan-European social liberal party, which obtained 3 seats.

What next?

It is now up to parliament to decide the next steps. The chair of the second chamber has already nominated two scouts, one member of the VVD and one of D66, to explore the possibility of forming a majority government. The most logical choice is the continuation of the old coalition. A coalition of VVD, D66, and CDA would have 73 seats in parliament, three short of the majority². They need the support of at least a fourth party to get the majority. An obvious choice is the new party Volt. The scouts could also investigate the possibility of a government on the left, a so-called purple coalition. The combination of VVD, D66, PvdA and GL would have 75 seats in parliament.

A minor problem with both combinations is that the government will not have a majority in the first chamber, the Senate. The Senate cannot send a government away, but can obstruct major legislation. The composition of the first chamber will change in 2023, after the provincial council elections.

A more serious problem is that both the CDA and the left wing parties may be reluctant to join, as they had disappointing results. These parties have to balance the risk between participating or remaining on the sideline. In the end, traditional government parties such as the CDA or the PvdA have everything to gain in joining a new government. Staying on the opposition benches implies that their major politicians do not anymore enjoy the limelight that comes with ministerial responsibility. As for GL, it might be profitable to join, as it could achieve more for its voters on environmental issues, than by remaining in the opposition. On election night, the prime minister made it clear that he would prefer continuing the coalition with the Christian Democrats, who are closer to him in political terms.

The two scouts should report to Parliament not later than on 30 March. On 31 March, the newly elected Chamber will convene for the first time. The main agenda point will be to discuss the scouts' report and decide on the nomination of one or two "informateurs". These are normally veteran politicians coming from the major parties involved in the government formation. Their task is to work out a coalition agreement. Once the agreement has been established, the King will nominate the "formateur", who will select the ministers for the new government.

A formation period can be very long. In 2017, it lasted 225 days in total, a historical record. However, as the country has been going through the worst crisis since World War II, the rapid formation of a new and stable government is highly desirable. Given the election results, the government formation period could be relatively short, in particular if the CDA is willing to join.

The government programme depends on the parties participating in the coalition. Nevertheless, it is already sure that a new coalition is likely to pursue a prudent fiscal policy once the recovery is well underway. The budget rules that were in place before the crisis are likely to be restored in order to lower government debt. All parties have learned from the current crisis that it pays to have a healthy budget.

Moreover, the increase in force of D66 should also be felt. The new government is likely to be more Europe-oriented. Nevertheless, given his party supporters and the pressure from the populist right, Mark Rutte should remain a tough negotiator in Brussels. Moreover, more emphasis will be given to climate policies, education and social equity, which are all dear to D66.

raymond.vanderputten@bnpparibas.com

¹ The Netherlands Bureau for Economic Policy Analysis (CPB) has analysed the budgetary and economic consequences of the elections programmes. According to its calculations, the programmes of GL and D66 are best for reducing CO2 emissions.

² The Christian Union is unlikely to re-join the new government.



William De Vijlder
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Jean-Luc Proutat

US, UK - Head of economic projections, relationship with French network

+33 1 58 16 73 32

jeanluc.proutat@bnpparibas.com

Hélène Baudchon

France - Labour markets

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Louis Boisset

Japan - European Central Bank watch, Euro area global view

+33 1 57 43 02 91

louis.boisset@bnpparibas.com

Frédérique Cerisier

Euro area (European governance and public finances), Nordic countries

+33 1 43 16 95 52

frederique.cerisier@bnpparibas.com

Guillaume Derrien

Italy, Spain, Portugal - International trade

+33 1 55 77 71 89

guillaume.a.derrien@bnpparibas.com

Raymond Van Der Putten

Germany, Netherlands, Austria, Switzerland - Energy, climate

+33 1 42 98 53 99

raymond.vanderputten@bnpparibas.com

Tarik Rharrab

Statistics

+33 1 43 16 95 56

tarik.rharrab@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon

Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Laure Baquero

+33 1 43 16 95 50

laure.baquero@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+33 1 40 14 30 77

thomas.humblot@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure

Head - Argentina

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier

Deputy Head - Greater China, Vietnam, South Africa

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby

Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Stéphane Colliac

Turkey, Ukraine, Central European countries

+33 1 42 98 43 86

stephane.colliac@bnpparibas.com

Perrine Guerin, Sara Confalonieri

Africa (Portuguese & English-speaking countries)

+33 1 42 98 43 86

perrine.guerin@bnpparibas.com

Pascal Devaux

Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot

Korea, Thailand, Philippines, Mexico, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Salim Hammad

Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Johanna Melka

India, South Asia, Russia, CIS

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

CONTACT MEDIA

Michel Bernardini

+33 1 42 98 05 71

michel.bernardini@bnpparibas.com





CONJONCTURE

Structural or in news flow, two issues analysed in depth



EMERGING

Analyses and forecasts for a selection of emerging economies



PERSPECTIVES

Analyses and forecasts for the main countries, emerging or developed



ECOFASH

Data releases, major economic events. Our detailed views...



ECOWEEK

Weekly economic news and much more...



ECOTV

In this monthly web TV, our economists make sense of economic news



ECOTV WEEK

What is the main event this week? The answer is in your two minutes of economy



MACROWAVES

The economic podcasts

RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE
[see the Economic Research's website](#)

ET

FOLLOW US ON LINKEDIN
[see the Economic Research's linkedin page](#)

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. It does not constitute investment advice, nor financial research or analysis. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient; they are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Certain countries within the European Economic Area:

This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA. BNP Paribas SA is incorporated in France with Limited Liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF). Its head office is 16, boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. - Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

Japan: This report is being distributed in Japan by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Hong Kong: This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on <https://globalmarkets.bnpparibas.com>

© BNP Paribas (2015). All rights reserved.

Edited by the Economic Research - BNP PARIBAS

Head office: 16 boulevard des Italiens - 75009 PARIS / Tél : +33 (0) 1.42.98.12.34
www.economic-research.bnpparibas.com
 Head of publication : Jean Lemierre / Chief editor: William De Vijlder



BNP PARIBAS

The bank
for a changing
world