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## **MERKEL: FIRST STEP TOWARDS THE EXIT**

### Berenberg Macro Flash

Following the losses for her CDU/CSU in recent state elections and the plunge of her party to a low of 24% in some opinion polls, Germany's Angela Merkel reportedly wants to step down as CDU party chairwoman but stay on as chancellor. Merkel is due to hold a press conference today at 12pm UK time. In the past, she had argued against splitting the two roles as that would weaken her ability to shape policy. If she manages to stay on as chancellor after the CDU elects a new leader, probably on 7 December, she would still be seen as a lame duck. By relinquishing her role at the helm of the CDU voluntarily, she may try to head off a challenge from a potential successor which, if successful, could also have toppled her as chancellor.

Even in the likely case that she remains chancellor for now with somebody else leading the CDU, her first step towards the exit adds to the risk that her coalition partner SPD will walk out of the Berlin coalition in late 2019 upon a mid-term review of the government's agenda.

If Merkel were to lose her position as chancellor, the most likely outcome would be CDU/CSU-Green-FDP coalition in Berlin led by somebody else from the CDU or - as a slightly less likely alternative - new elections.

#### POTENTIAL SUCCESSORS AS CDU LEADER

- Annegret Kramp-karrenbauer, CDU general secretary, apparently Merkel's preferred choice
- Armin Laschet, state prime minister of big NRW, whose experience would make him well suited to lead a „Jamaica“ coalition with the Greens and the FDP
- Jens Spahn, the more conservative minister for health
- Friedrich Merz, a conservative who once was her rival and is reportedly ready to re-enter frontline politics.

Other candidates with fewer chances are: Peter Altmaier, the economy minister, Daniel Günther, the state prime minister of small Schleswig Holstein, Julia Klöckner, the minister of agriculture.

If the charismatic Merz were to win the race for CDU leader, the pressure on Merkel to resign as chancellor as well would rise.

#### BIG HEADLINES, FEW POLICY CHANGES

Even if [Merkel were to be replaced](#) and/or if a new government were to take power in Berlin, with or without new elections, it would not make a major difference once the dust has settled. Any conceivable coalition in Berlin would still be dominated by the mainstream parties CDU/CSU, SPD, Greens and the smaller Liberals. Their similar views on key issues such as NATO, EU and euro reflect a national consensus. While individual sectors may be affected, for example with the Greens insisting on a faster exit from coal, the outlook for small-scale reforms in Europe and for dealing with Italy and Brexit would not change dramatically.



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## MACRO NEWS

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