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GERMAN STATE ELECTIONS: BAD, BUT IT COULD HAVE BEEN WORSE

Berenberg Macro Flash

Despite spectacular gains in Sunday's state elections, the right-wing AfD did not relegate the SPD in Brandenburg or the CDU in Saxony into second place. Instead, both the centre-left SPD and the centre-right CDU still came out in the lead in their respective East German strongholds. On balance, this may slightly reduce the risk that the SPD could walk out of Angela Merkel's CDU/CSU-SPD coalition in Berlin within the next six months and bring down the chancellor in the process. We currently see a 25% risk that this may happen. At the margin, the Saxony result may also stabilise the position of Annegret Kramp-Karrenbauer as CDU leader and heir apparent to Merkel for a while.

Most importantly, the SPD in Brandenburg with c26% came well ahead of recent opinion polls showing just 22% support. This more than offsets the largely expected drop of the SPD to below 8% in Saxony (based on projections available by 20h London time).

The SPD holds the key to Merkel's political future. Deeply disoriented and heavily battered in most recent elections, many within the SPD want to end the coalition with Merkel's CDU/CSU on the federal level. Ruling jointly with Merkel has been a two-edged sword for the SPD. While the SPD has lost significant support, the SPD has managed to impose a major part of its centre-left agenda on the CDU/CSU. As a result, the SPD is torn between two desires, to get out of an alliance with Merkel that is not helping them with voters and to stay in government to shape policies.

The SPD will elect a new leader or – more likely – a male/female leadership duo shortly. After a series of regional debates, SPD members will cast their ballots from 14 to 25 October, with a potential second round of voting from 19 to 29 November. Thereafter, an SPD party congress on 6-8 December will formally elect the new leader(s). The only high-profile candidate so far is finance minister Olaf Scholz, who is running jointly with Klara Geywitz from Brandenburg. Unlike most other candidates, Scholz/Geywitz want to continue the coalition with Merkel. That the SPD has fared less badly than feared in Brandenburg may strengthen their position modestly.

Four other results of the two state elections are also noteworthy:

- 1) After a polarising debate about the rise of the right-wing AfD, more voters turned out for the state elections than before. This did not prevent headline-grabbing gains for the AfD. The AfD did even better than it had at the European elections on 26 May. However, the significantly higher turnout helped the incumbent state prime ministers Dietmar Woidke (SPD in Brandenburg) and Michael Kretschmer (CDU Saxony) to limit the losses for their parties in their states at the expense of other mainstream parties and the Left Party. Some anti-AfD voters probably voted tactically for the strongest party in offer to prevent the AfD from advancing to the top spot.



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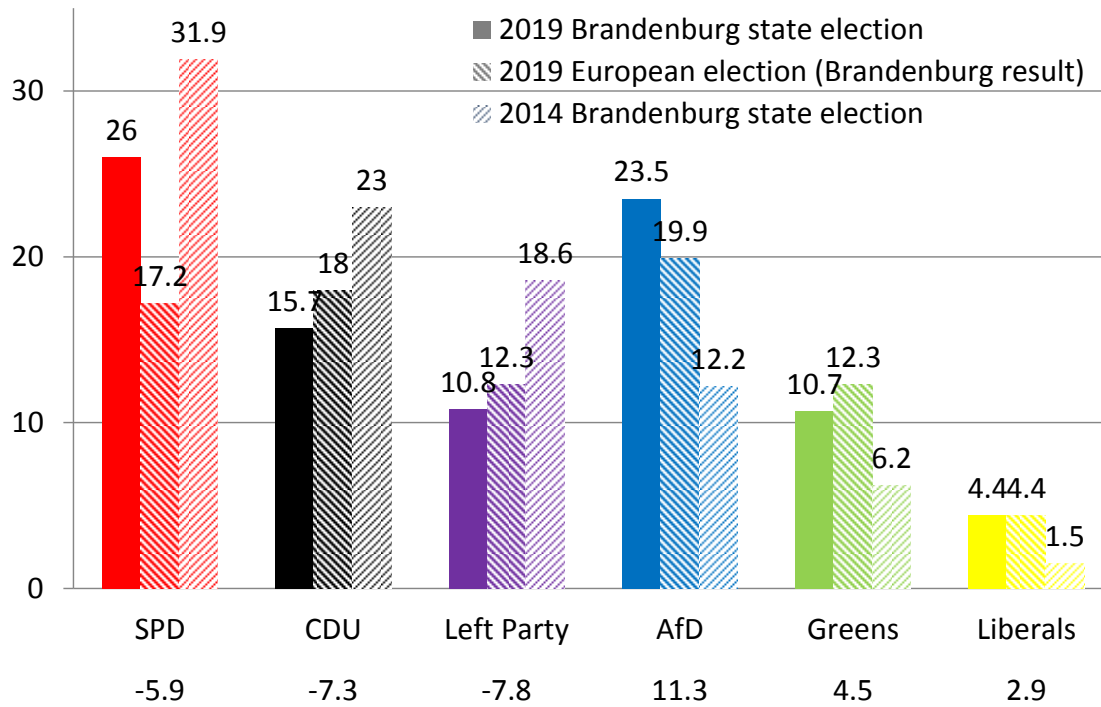
- 2) Despite all the hype about the recent surge of the Greens, the Greens advanced only modestly in both states. With their strong appeal to urban voters, the Greens traditionally struggle in East Germany.
- 3) Forming new coalitions on the state level will be more challenging than usual as the political landscape is now even more fragmented than before. Both Woidke and Kretschmer can most likely remain prime ministers in their states. But both will probably need two – and in Brandenburg possibly even three - instead of just one coalition partner. Both may add the Greens. If so, Brandenburg would be governed by a SPD-Left Party-Green and Saxony by a CDU-Green-SPD tie-up. This would strengthen the position of the Greens in the upper house of parliament, the Bundesrat.
- 4) The AfD has taken over the role of the Left Party as the major repository of protest votes in East Germany. As the Left Party is much weaker in West Germany than in East Germany, the AfD has less room to rise at the expense of the Left Party in the West. This is one of many factors to explain why the AfD can expect at least 10 percentage points more in elections in East Germany than in West Germany.

In the – still unlikely – case of snap federal elections early next year, Germany would probably end up with a CDU/CSU-Green coalition led by AKK. However, the combined left (Greens, SPD Left Party) is in opinion polls only about 2ppt short of a potential majority of seats at the federal level in opinion polls. An alternative government led probably by the Greens' Robert Habeck would have a significant probability as well. For a brief discussion as to how much such a change in the government in Berlin would alter the German policy outlook, see our [state election preview](#) from 30 August.

Germany's next state elections are in Thuringia in a few weeks (27 October) and Hamburg on 23 February next year.



Chart 1: Brandenburg – 2019 projection and results of 2014 state and 2019 European elections

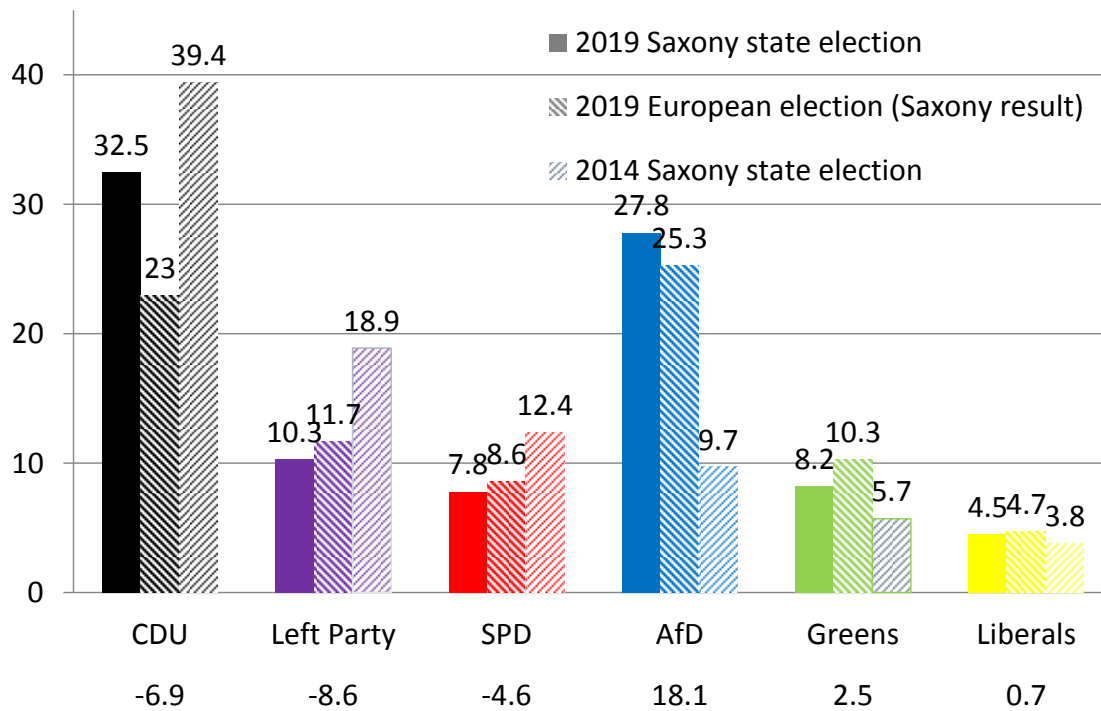


The number below each party name shows the percentage point difference between the projection for 2019 and the 2014 state election result. Source: ARD projection at 20h London time, Bundeswahlleiter



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Chart 2: Saxony – 2019 projection and results of 2014 state and 2019 European elections



Source: see chart 1

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