

Austria: Heading to the polls, again

On Sunday, 29 September, 6.4 million Austrians are eligible to elect a new national parliament. The snap elections became necessary as a political scandal known as “Ibiza-gate” shook up Austria’s political landscape, leading to a successful motion of no-confidence against the government last summer



Sebastian Kurz and
Heinz-Christian Strache
pictured in May 2019

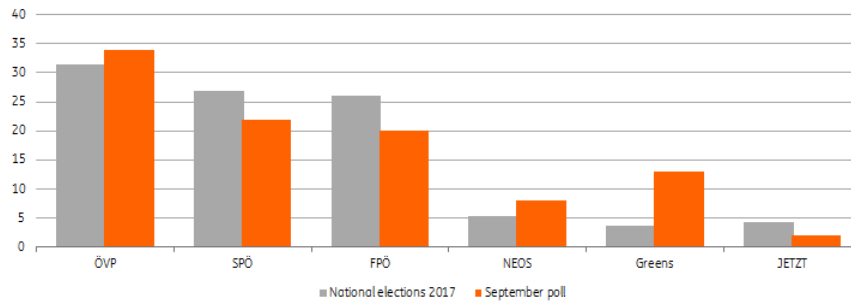
It is the second snap election in less than two years in Austria. In December 2017, the government consisting of Sebastian Kurz’s Austrian People’s Party (ÖVP) and junior-coalition partner Freedom Party (FPÖ) took office after snap elections. Less than a year and a half later, in May 2019, the release of a video showing then-vice chancellor Heinz-Christian Strache (FPÖ) alongside another FPÖ member, apparently talking about public contracts for campaign-support with a potential Russian investor, has led to the resignation of Strache, the dismissal of FPÖ’s interior minister Herbert Kickl, the subsequent resignation of all FPÖ government members, and last but not least a successful motion of no-confidence against chancellor Sebastian Kurz and the ÖVP’s government members.

What do polls suggest for the upcoming elections?

The scandal and the fall of the government do not seem to have left any marks on Kurz’ popularity. Instead, his party is currently doing better in polls than ever before, with the ÖVP

looking set to come in as the strongest party on Sunday. The ÖVP's former junior coalition partner, however, seems to be taking a modest hit, while still hovering around 20% in latest polls. The biggest winner in terms of percentage point gains could be the Green party, reflecting the pro-climate movement in many European countries. The Greens failed to win a seat in the Austrian parliament in 2017 due to a 4 percent threshold. However, this time around, the party could not only re-enter parliament but win up to thirteen percent of the votes if the opinion polls are accurate.

Opinion polling for the 2019 Austrian national elections (%)



Source: Neuwal, 22/09/2019

Coalition possibilities: When the dust settles....

Despite all the drama surrounding the ÖVP/FPÖ coalition, a renewal cannot be excluded. But what other coalition possibilities are there after the Sunday elections?

- **ÖVP/FPÖ:** It would not be a surprise if the former coalition partners form a coalition once again. Don't forget that the first ever nationwide coalition between the ÖVP and the FPÖ failed in 2002 due to a scandal within the FPÖ and the ÖVP demanding new elections. But only three months later the former coalition partners found back together. Also, in terms of party programmes, the ÖVP and the FPÖ still have the greatest similarities.
- **ÖVP/SPÖ:** Other possible combinations could be a coalition between the ÖVP and SPÖ, yet with both parties being worlds apart in terms of government programme expectations, it is the most unlikely combination. Also, the SPÖ was the main driver behind the no-confidence motion. That the ÖVP's former coalition partner FPÖ has also voted in favour of this proposal does not seem to weigh as much as the SPÖ's vote against the ÖVP.
- **ÖVP/NEOS/GREENS:** A three-party coalition of ÖVP with the liberal Neos and the Greens would gain a majority as well. According to a poll by Austrian newspaper [DerStandard](#), this would be the favoured coalition option of surveyed Austrians. However, despite being a novelty and an exciting experiment, it would first and foremost be a coalition with conflict potential given their different stances on migration, the environment and the EU.

All other realistic coalition possibilities would not be able to secure a majority, according to the polls. Judging from available data, it all boils down to a coalition with the ÖVP in the lead.

Election campaign still dominated by migration and security

Although the migration wave has strongly abated, migration and security issues are still dominating the election campaign even if there are no new positions on this topic. While first-time asylum applications peaked in 2015, recording more than 85.500 applications, they dropped to

less than 12.000 applications last year. However, Austrians say immigration is still the most important issue facing the EU at the moment, according to the latest Eurobarometer. Member States' public finances and climate change are the second and third most frequently mentioned items. This has been reflected in the political heavyweight rounds: Apart from the perennial issue of migration, environment and climate protection were high on the agenda.

What about the EU?

With the ÖVP likely to be the strongest party, it is worth taking a look at the party's plans at EU level. Sebastian Kurz has clearly expressed and reiterated his opinion towards migration, debt, and Turkey's EU accession negotiations. Also, Austria under the ÖVP remains an advocate of the subsidiarity principle. Overall, Kurz takes a hardline position regarding key EU issues:

Migration:

- A rapid expansion of Frontex is warranted (The European Border and Coast Guard Agency).
- Illegal migrants should be returned to their countries of origin or safe transit countries after being rescued.

Debt:

- Automatic sanctions to deal with unsustainable public finances. The Stability and the Growth Pact must be respected by all. Only on Wednesday, the parliament voted to anchor the 'debt brake' in the Austrian constitution. With the debt brake, compliance with EU budget requirements would become a constitutionally guaranteed obligation. The annual deficit of the federal government should amount to a maximum of 0.35 percent of GDP, that of countries and municipalities a maximum of 0.1 percent of GDP. More borrowing is only allowed in times of crisis or emergency. However, the debt brake also needs a majority in the Federal Council; it currently looks unlikely that it will be anchored in the constitution in the end given that the SPÖ has a blocking minority and is opposing the debt brake.
- After Brexit and in the new medium-term budget negotiations, Austria should not pay more into the EU budget than before in relation to its overall economic strength.

EU accession negotiations:

- Immediate termination of accession negotiations with Turkey.
- Offer credible accession prospects to the Western Balkans region.
- Accession criteria must be met.

What do the elections mean for the economy?

Despite all the political noise, Austria's political landscape remains a stable one, with the disturbances not impacting markets or the economy. Neither did Austria's 10-year yield move substantially after the motion of no-confidence, nor do we expect major reactions following Sunday's elections given sound public finances and solid economic fundamentals.

And although the Austrian economy does not escape the negative sentiment environment and the worldwide economic downturn, it is still growing fairly robustly compared to major eurozone

countries. GDP grew 0.5% QoQ in the first quarter and 0.3% QoQ in the second quarter of 2019 (trend-cycle-component) with domestic consumption holding up nicely. Nevertheless, with the slowdown in the international economy and particularly the fast cooling of the German economy, it remains doubtful that the Austrian economy can remain an island of indefinite growth for long.

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