

Czech Republic: No change after the elections

Parliamentary elections on October 20 are likely to be no game changer - we expect a similar centre-left government, though post-election negotiations will not be easy for the leading ANO movement.



Source: istock

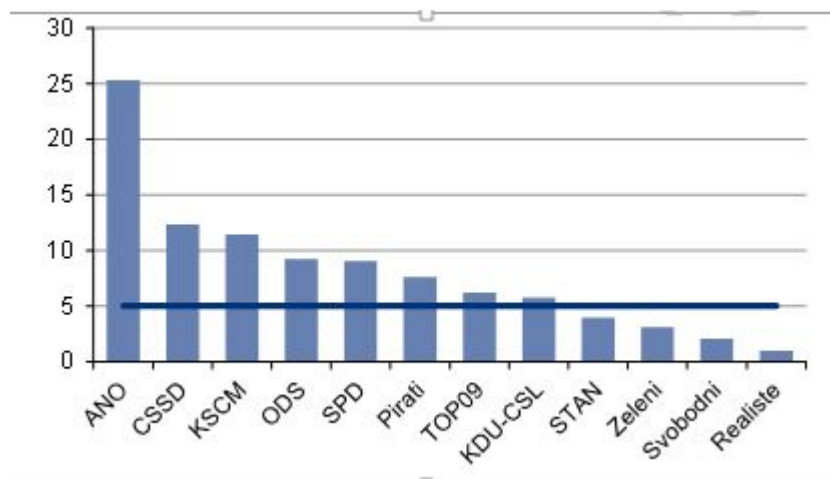
What role for ANO?

Leader of the ANO movement, Andrej Babis, has increasingly come under pressure during the election campaign. Details of alleged financial irregularities have been revealed by anonymous groups, highlighting possible conflicts of interest and media manipulation. Despite this, voting preferences appear to have changed only marginally, with ANO being the clear leader with c.25-30% of the vote. With a 3-day blackout period before the elections, the last survey results were published on Monday. The results, together with betting odds, indicate slightly lower preferences for the leading ANO group (25%), and an increase in preferences for the protest-liberal party Pirati (Czech Pirate Party) and the anti-immigrant party SPD (Freedom and Direct Democracy), which are approaching 8-9% of the vote. On the other hand, traditional parties are losing support.

Still, the ANO movement could be approaching a bittersweet victory. A role for Mr Babis in any new

government looks uncertain, as he has recently been accused of fraud. This will complicate post-election negotiations as potentially compatible parties could refuse to become a part of any government with Mr. Babis as Prime Minister while he is under investigation.

Projected voting (%)



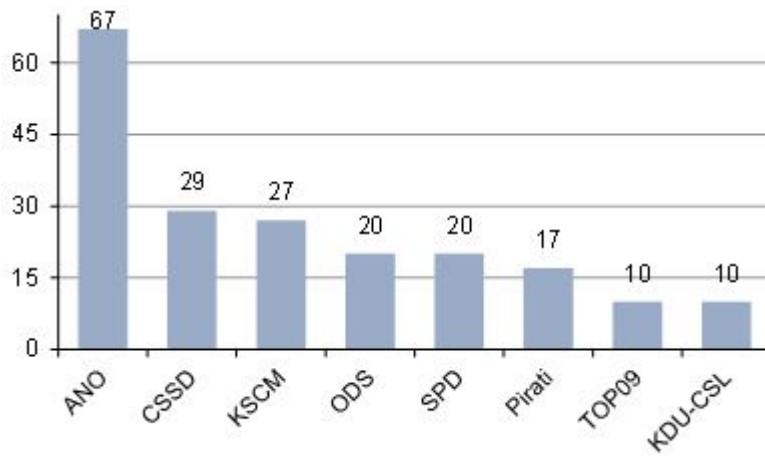
Source: Source: www.kdovyhrajevolby.cz as of as October 16 2017

Possible new governments

Forming a new government will not be easy. Finding partner(s) for ANO to reach more than 100 seats will not be easy in the light of pre-election promises which limit possible cooperation across parties. ANO will not cooperate with TOP09, SPD and KSCM. ODS, TOP09 and STAN will not join ANO. Pirati are sceptical about cooperation with ANO. Current coalition partners, CSSD and KDU-CSL, are less strict about cooperation with ANO, but with no participation of Mr. Babis due to the investigation.

Still, the possibility that ANO will end in opposition not being able to set a coalition, as some opinion polls suggest, is unlikely in our view. We believe that pre-election rhetoric will be partially forgotten and we will most likely see a centre-left government similar to the current one. Economic policy after the elections should not differ significantly from the current situation. With many promises to lower tax-burdens we might see some tax cuts that further support household consumption. Introduction of any sector-tax is unlikely and euro-adoption will continue not to be a priority, unless the threat of a two-tier EU becomes more serious.

Projected seats



Source: Source: www.kdovyhrajevolby.cz as of as October 16 2017