

What you need to know about June's European elections

The outcome of the European elections could delay future decision-making but will not derail the European economy



Which way now? A boy considers some election posters on a street in Rome

With less than one month to go, the European elections are in full swing. Coverage of, and attention to these elections has clearly increased over the last couple of decades. Nevertheless, the actual turnout - despite some increase over the last few years - still significantly lags behind voter turnout at national elections. In 2019, the last time these polls were run, only slightly more than 50% of the electorate came to the ballot box.

This year, the elections will take place from 6-9 June. At the next European Summit at the end of that month, national heads of state are likely to select a candidate for the European Commission presidency. The formal election of the next Commission president will likely happen in the mid-September session of the European Parliament.

This short article is not the place to underline the importance of Europe and the impact of Europe on businesses and people every day. But it is the place to briefly answer the three most important questions regarding the economic implications. In contrast to the US presidential elections, the economic impact of European elections will be more gradual. Even if their powers have increased over recent years, neither the European Commission nor the European Parliament has the same

discretionary power as the US president.

The potential impact of an expected shift to the political right in Europe

In recent national elections, several European countries have already seen a shift towards the political right. According to the polls, the European elections could see further gains for populist parties, partly as European elections are often seen as a good occasion for protest votes but partly also as a simple result of national trends. However, a recent drop in the polls for the German AfD party indicates how fragile and volatile support for anti-European parties can be.

As symbolic as any gains for anti-European parties would be, there wouldn't be any imminent direct implications on the economy. First of all, populist and anti-European parties have, up to now, not been able to work together in the European Parliament. The character, membership and number of groups can change and have changed over the years. For anti-European and populist parties to block some of the EU's procedures (e.g. the rule of law mechanism) they would need to act as a unified block and achieve more than one-third of the seats in the next Parliament. They could then influence the shape of new legislation if the other mainstream parties were divided. Currently, a still unlikely scenario. In fact, even after the elections, the more disruptive potential of populist parties will be much higher via the Council (and national governments) than via the European Parliament.

Still, decision-making could become more complex in a more fragmented European Parliament, particularly as the EP and the Council jointly adopt most EU laws. As a result, the impact of any gains by anti-European parties will not derail the European economy, but it will further complicate new investment initiatives or cross-border reforms and endeavours.

What to expect from the next European Commission

Remember that even if the largest political group in the European Parliament has a good chance to propose the President of the next European Commission, it is government leaders who make the final decision. Currently, polls suggest a second Ursula von der Leyen Commission to be the most likely outcome, but von der Leyen herself experienced in 2019 how a 'dark horse' can suddenly become president. A second term is by no means a given, and that's perhaps underlined by recent rumours that the former ECB Chief Mario Draghi could be put forward by Emmanuel Macron as president of the EC.

As for the so-called strategic agenda of the next European Commission, it looks for now that these issues will top the list:

- strategic autonomy, competitiveness and defence,
- further EU enlargement, and
- implementing rather than enhancing the Green Deal.

The European Commission has exclusive competencies in policy areas such as trade agreements, competition rules within the single market, and the customs union. The Commission's role in trade agreements could particularly gain more importance after the US presidential elections.

The recently agreed revised fiscal rules have opened the door to more flexibility and tailor-made

approaches, giving the European Commission more power vis-à-vis the member states. The timing of the European elections has already delayed measures to control fiscal deficits that are too high. The European Commission will only publish its assessment of the latest fiscal plans after the elections.

We expect the EC to launch so-called Excessive Deficit Procedures for several countries, including France, Italy and Spain. The political process, however, will clearly last into the autumn. As a result, fiscal policy in the eurozone as a whole is likely to become more restrictive in 2025.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.